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FINANCIAL TIMES

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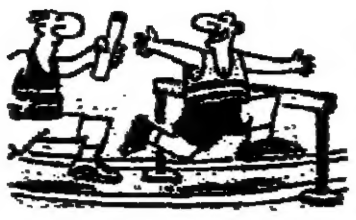

Fund managers
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World Business Newspaper

MONDAY MARCH 4 1996

Japan's opposition to force showdown over budget plans

Japan's opposition New Frontier party means to force a showdown with the ruling coalition today by blocking agreement on this year's budget, which includes an unpopular plan to use Y685bn ($6.4bn) of public money to liquidate bankrupt housing loan companies – the *jusen*. The NFP is pushing for commercial banks, which founded the *jusen*, to bear a high share of any future losses. Page 18

Dole ahead again: Senator Bob Dole re-emerged as front-runner for the US Republican party's presidential nomination after winning the the South Carolina primary with 45 per cent of the Republican vote. Page 7

Turkish conservatives agree on coalition:

Turkey's rival conservative parties agreed on a coalition, ending months of political stalemate and giving the country its first taste of a rotating premiership. Caretaker prime minister Tansu Çiller, head of the True Path party, struck the deal with Mesut Yilmaz (left) of the Motherland Party, who will be premier first. Turkish politics was deadlocked after December's polls, when an Islamist party emerged as the largest group in parliament Page 18

ICI on acquisition trail: UK-based Imperial Chemical Industries is on the lookout for acquisitions, and the first deals are likely to be in Asia. Page 18

Banks pay premium: Nervousness about the weakness of Japan's financial system has led to Japanese banks paying steeper interest rates for borrowings than competitors with the same international credit ratings. The premium ranges from three to 12 basis points, dealers say. Page 19

Complaint over Telefónica: British Telecom has complained to the competition authorities in Madrid about the behaviour of the Spanish state telecoms group. The UK company accuses Telefónica of using confidential information to lure customers of BT's joint Spanish venture with Banco Santander. Page 19

Fraud busters seek brighter image: Britain's Serious Fraud Office is considering using a public relations company to improve its image after a string of high-profile prosecutions ended with acquittals or minor sentences. Page 8

Khmer Rouge fighters defect: More than 350 Khmer Rouge guerrillas have defected to the government in a province near the Cambodian capital, army television reported. It said they had "volunteered to come back to live in normal society" from their base in Kompong Speu province.

Bangladesh protests continue: Prime minister Begum Khaleda Zia failed to appease her opponents with an offer to set up a "non-party" government and call early elections. Instead there were more street protests and demands for her resignation. Page 6

Chechen battle: Russian troops fought a fierce battle with Chechen rebels after being ambushed in Sernovodsk village in the west of the breakaway region. The Russians have recently stepped up efforts to disarm the rebels by force, leading to some of the worst fighting since the war began in December 1994. Moscow shows willingness, Page 2

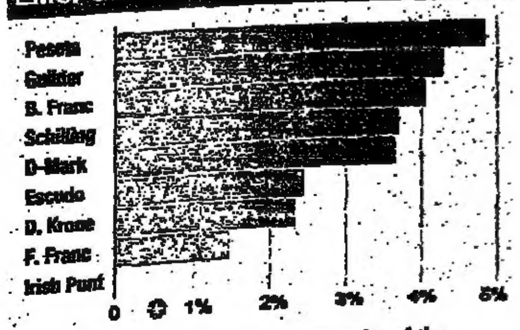
Prison riots continue: Prisoners rioted for a fifth day in Greek jails and at least four guards were being held hostage. In the Agios Stephanos prison in Patras, where the riots began, inmates displayed banners demanding earlier release, better living conditions and transfer to other prisons.

Hassan promises change: Morocco's King Hassan said he would present plans for constitutional reform later in the year, including an amendment to change the parliamentary system. Currently one third of the 333 deputies are picked by electoral college, a system the opposition says does not ensure proper representation. Page 6

Cricket World Cup: England lost for the third time in five matches when Pakistan beat them with seven wickets to spare. But they still qualified for a quarter-final against Sri Lanka next Saturday.

European Monetary System: The Danish krone and Portuguese escudo swapped places in the EMS grid last week as the spread between the strongest and weakest currencies narrowed slightly. The Bundesbank left German official interest rates on hold and fixed the repo rate at 3.3 per cent for a further two weeks. Currencies, Page 29

EMS: Grid March 1, 1996



The chart shows the member currencies of the exchange rate mechanism measured against the weakest currency in the system. Most of the currencies are permitted to fluctuate within 15 per cent of agreed central rates against the other members of the mechanism. The exceptions are the D-Mark and the guilder which move in a 2.25 per cent band.

Albania	LEK 220	Germany	DM4.00	Lithuania	Lis 15.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk85
Bulgaria	Lw130.00	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Cyprus	C£1.20	India	Rs75	Nigeria	Naira90	Spain	Pta250
Czech Rp	Kč50	Israel	Shk7.90	Norway	NKr20.00	Sweden	SKr20
Denmark	DKr18	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Egypt	E£5.00	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Estonia	EKr 22	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
Finland	FM15.50	Kuwait	Fils.650	Portugal (m'land)	E240	Turkey	L70,000
France	FFr11.50	Lebanon	LL3,000			UAE	Dh12.00

Hamas blast wounds peace efforts

19 die in repeated suicide bomb attack on Jerusalem bus

By Julian Ozanne in Jerusalem

The electoral chances of Israel's *Labour-led coalition government* and the future of its Middle East peace effort suffered a potentially *devastating blow yesterday* after an Islamic suicide bomb blew apart a Jerusalem bus, killing 19 people and injuring 10.

The bombing, on the same bus route and in the same street as a bus blast a week ago, was the fourth attack in a week by the militant Hamas Islamic group. It brought the seven-day death toll to at least 45.

The carnage in central Jerusalem provoked crisis in the government and sparked opposition calls for a suspension of the peace process and for Israeli troops to re-enter Palestinian-controlled areas.

Mr Shimon Peres, the prime minister whose 15-point opinion poll lead over Mr Benjamin Netanyahu, the opposition leader, was destroyed by last week's attacks, declared an "all-out war" against Hamas. Mr Peres also resurrected the idea of *physically separating* Arab and Jew.

As the government began to realise its *political future* could become hostage to Hamas terrorism, it sought to reassure an anxious Israeli public by announcing a series of security measures, including $100m to build fences between Israel and the self-ruled Palestinian territories.

Mr Peres, who was jeered at the blast scene by rightwing youths chanting "Peres you're next in line", also piled pressure on Palestinian president Yassir Arafat *to crack down on Hamas* or risk a suspension – even a reversal – of the peace process.

Mr Arafat, fearful that a Labour defeat at the May 29 elections would spell an end to his dreams of a Palestinian state and undermine his fragile hold on Palestinian society, responded swiftly to Mr Peres's demands.

He *strongly* condemned the "terrorist" attack and lambasted Hamas, sent armoured personnel *carriers to patrol the streets of* Gaza, and said he was banning the military wings of Hamas and other Palestinian groups opposed to the peace process.

The move came after Mr Arafat last week arrested up to 300 Islamic activists and ordered confiscation of all illegal firearms.

But yesterday's attack proved that Hamas is capable of evading the joint Israeli-Palestinian crackdown.

In Gaza, Hamas leaders said yesterday's attack ended its revenge for the killing in January of Yahya Ayyash, its master *bombmaker, which it blamed on* Israel.

Hamas gave Mr Peres three *months to respond to an offer of* a ceasefire but warned it would

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Power of Hamas, Page 6

Spanish right set for victory, exit polls show

Popular party claims to have ousted Socialists but majority is in doubt

By David White in Madrid

Spain's centre-right Popular party won its first general election victory yesterday with a narrower advantage than expected over the Socialists according to early unofficial predictions. The Socialists had been in power for the 13 years.

The PP greeted the result as "the start of a new era". However, its parliamentary majority hung in the balance after exit polls broadcast by private and state television networks immediately after the close of voting showed a gap of between five and six percentage points between the two main parties.

The PP was predicted to win 40 per cent of the vote compared with just under 35 per cent for the Socialists led by Mr Felipe González, the outgoing prime minister.

The PP appeared confident this *would give it a sufficient* margin of seats in the 350-member congress to be able to govern *securely on its own without* seeking support from regional parties.

One exit poll gave the PP between 167 and 174 seats, just short of an outright majority. Another predicted 160-171, raising possible problems for the future government. The Socialists were shown losing between 24 and 35 of their previous 159 seats.

Mr José María Aznar, the 43-year-old PP leader, had set a high target for the election, pinning his hopes on winning enough seats to form a single-party government. He wants to press ahead rapidly with economic liberalisation measures and cuts in government spending.

Financial markets had been expecting the PP to take between 165-170 seats compared with 141 in the previous parliament.

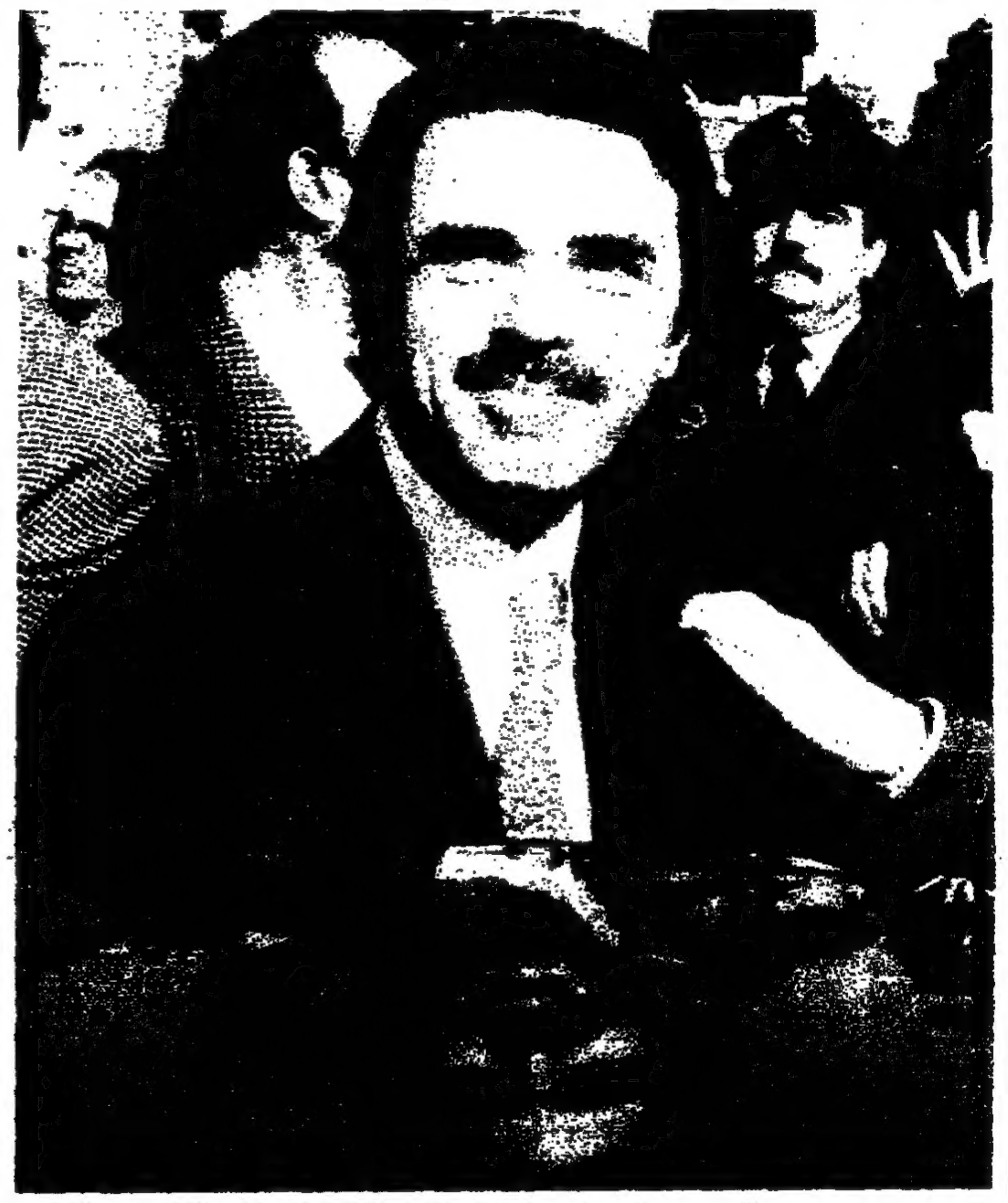
One trader said that if the PP failed to achieve a clear margin of victory there would be "a nasty sell-off". Stock and bond markets have strengthened in recent months in anticipation of a PP win. A new government is not due to take office until next month after the convening of the new parliament, probably on March 27, and after a statutory period of consultations.

The exit polls showed the Communist-led United Left increasing its vote from 9.6 per cent to over 11 per cent, consolidating its position as the third party but falling short of expectations. The radical Basque group Herri Batasuna, linked to the illegal Eta organisation, *was expected to keep its two* seats. Turnout was thought to have been higher than the 1993 *figure of 73 per cent.*

The Spanish right has not won power through an election since 1934, during the ill-fated republic which preceded the civil war and the Franco dictatorship.

The PP's score, if confirmed, is the highest by any party except the Socialists since parliamentary democracy was restored in 1977. It lost unexpectedly to the Socialists three years ago, but has since taken control of most of Spain's main city councils and 11 of its 17 self-governing regions.

However, the Socialists appeared to have achieved a surprise victory in a regional contest staged in Andalucia yesterday. According to exit polls, it increased its lead over the PP, enabling it to retain power over the regional government.



Reflecting on public opinion: Opposition leader José María Aznar leaves a polling station in Madrid. His Popular party claimed victory after exit polls showed it ahead of the Socialist party Picture: Reuter

Australian winner warned by unions on pay claims

By Nikki Tait in Sydney

Mr John Howard, who *swept to* power as Australia's new prime minister in a general election on Saturday, was warned yesterday by the country's top union leader that pay claims would rise under his conservative government.

Ms Jennie George, president of the Australian Council of Trade Unions, said that without the national wages accord which existed under the previous Labor government, workers would live by the rules of bargaining in the marketplace.

"The claims will be higher than those currently in the marketplace," she added.

The challenge came as the Liberal-National coalition was savouring a victory which brought it the largest federal parliamentary majority for two decades.

The coalition has won at least *90 of the 148 seats in the House* of Representatives, putting Labor out of office after 13 con*secutive years in power.*

Labor appeared *to hold* about 46 seats, with four independents also elected and a *further eight* seats yet to be determined. Before the election, Labor

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Hong Kong citizens set to get visa-free access to UK

By John Ridding and John Kampfner in Hong Kong

Mr John Major, the British prime minister, yesterday rebutted accusations that he was betraying Hong Kong's interests and appeared set to announce today that the colony's citizens will be allowed visa-free access to the UK after next year's handover to China.

In what *is likely* to be the last visit by a British premier to Hong Kong before China resumes sovereignty, *Mr Major* pledged to stand up for the rights of its citizens beyond July 1997. "Even after that date, no one should imagine that Britain's interest in Hong Kong or its commitment to Hong Kong is suddenly going to disappear", he said.

Mr Major had come under fire from Hong Kong's Democratic party which accused him of betraying the colony and giving priority to developing Britain's trade interests with China.

Mr Martin Lee, leader of the Democrats, denounced as "preposterous and offensive" Mr Major's positive account of his meeting last week with Mr Li Peng, China's prime minister.

The Democrats, the largest group in the colony's Legislative Council (Legco), argue that the British premier did not take a firm enough stance on safeguarding human rights in the colony after the transfer of sovereignty, or on the fate of Legco, which China has pledged to abolish.

The issue of visa-free access has dominated local debate ahead of Mr Major's visit and is seen as an important test of British support for the colony.

Britain's stance on the issue is expected to influence decisions by other governments, while failure to grant access could also prompt retaliatory steps from China, such as the imposition of visa requirements on UK nationals visiting Hong Kong.

Officials played down suggestions that visa-free access could be subjected to a review or time limit. Hong Kong governor Chris Patten, who has strongly advocated visa-free access in defiance of criticism from rightwingers in Mr Major's cabinet, described the issue as the "the single most important decision the British government still has to make towards Hong Kong".

He said failure to allow visa-free access would constitute a "big thumbs down" for the territory and would threaten the business flow between Britain and Hong Kong. "This has no political downside whatsoever, and a good deal of commercial benefit."

The governor described as "absurd" Mr Lee's criticisms and said diplomatic disputes with *China had not damaged trade* between the two countries. He said Beijing had to recognise that *Britain would continue to* have a commitment to Hong Kong for the next 50 years.

Mr Major also faced criticism in Britain, as the opposition Labour party alleged he was seeking to raise funds for the Conservative party from Hong Kong business leaders. He described such claims as "nonsense", and officials said the prime minister would not be fundraising during his visit.

Patten ponders return, Page 8

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EUROPEAN NEWS DIGEST

Kohl to exploit opposition split

Chancellor Helmut Kohl's governing coalition is set to exploit a widening dispute between the environmentalist Greens and the opposition Social Democrats (SPD) over the future status of the *Aussiedlers* before three crucial state elections later this month. These are the tens of thousands of ethnic Germans in eastern Europe and the the former Soviet Union who are constitutionally entitled to enter Germany without restriction.

The issue arose at the Greens' conference in Mainz at the weekend after Mr Oskar Lafontaine, SPD leader, said restrictions should be imposed on *Aussiedlers* entering Germany. He claimed it was irresponsible to admit such large numbers who immediately became unemployed. But the Greens, who are seeking closer links with the SPD to challenge Mr Kohl's coalition in the 1998 federal elections, yesterday said the SPD leadership was playing a "shameful and cynical campaign" to win votes. *Judy Dempsey, Berlin*

French socialists in jobs plea

France's opposition Socialist party is suggesting a European "economic government" as a democratic counter-weight to a European central bank overseeing a planned single currency from 1999. The party's national council approved a document urging greater efforts to create jobs and solve social problems alongside moves towards economic and monetary union.

The document renewed the party's commitment to a planned single European currency from 1999, and proposed a European economic government under democratic control, with jurisdiction over the European central bank, and a precise definition of the levels of competence for economic policies. The text of the proposals will be debated ahead of planned ratification at a party congress on March 30 and 31. The meeting also accepted a suggestion by former party leader Mr Henri Emannuelli to demand that the EU sets a minimum European wage. *AFP, Paris*

Hungary conservatives split

Hungary's conservative opposition party, the Hungarian Democratic Forum (MDF), seemed to be heading for a split yesterday following the election of a nationalist candidate as party leader at its annual congress. Deputy chairman Mr Sandor Lezsak defeated the more moderate parliamentary leader and former finance minister Mr Ivan Szabo in a two-horse race for party chairman.

In his victory speech Mr Leszak appealed for unity. However, following Mr Lezsak's win a number of supporters of Mr Szabo withdrew their candidacy for other top party posts. The MDF has been in difficulties since it was swept from power in spring 1994. But the MDF remains the largest party in a fragmented opposition to the governing coalition of the Socialist party and the Free Democrats. *Reuter, Budapest*

EU farm aid for new members may be cut

By Caroline Southey in Brussels

Farmers in central and eastern European countries admitted to the European Union should not be subsidised in the same way as farmers in existing member states, according to a draft report prepared by the European Commission.

The suggestion is based on studies of the economic impact EU farm aid would have on less-developed eastern and central European farm sectors. It concludes that compensation introduced under the 1992 reforms of the EU's Common Agricultural Policy to offset price cuts, would drive up land prices, damage rural development and create inflationary pressures in new member states.

The report underlines the need for further CAP reform ahead of enlargement and raises awkward questions about whether the EU intends to match payments from the CAP to new members. It cites the Commission's calculation that without CAP reform, compensation to new members would cost Ecu6.6bn (£5.2bn) by 2000, out of a total additional agricultural bill of Ecu9bn.

The report will also fuel the debate launched by the Commission's strategy paper on agriculture and enlargement produced at the end of last year, which pointed out compensation payments might not be justified following accession because farmers might not experience any price cuts on joining the EU. It underlined the principle that the EU should not discriminate between old and new member states, but suggested that any compensation ought to be used in alternative ways.

The latest report admits that the economic arguments against paying aid leaves unanswered the political question of how to defend the transfer of cash subsidies to farmers in the rich EU-15 countries, but not farmers in poorer central and eastern Europe.

But it warns that applying "common policies in unequal circumstances could produce different, not common results".

The findings appear in a draft report drawn up by the EU Commission's economic and financial affairs department on the economic consequences of extending CAP compensation to 10 central and eastern European countries – Poland, the Czech and Slovak republics, Hungary, Bulgaria, Romania, Latvia, Lithuania, Estonia and Slovenia.

The paper says compensation payments could contribute to inflationary pressures as they would provide cash injections that would lift overall demand.

Russia's future played out on steel plant floor

A dispute in Siberia has cast doubt on Yeltsin's market reforming credentials. **Chrystia Freeland** reports

Most Russian schoolchildren can still recite a Soviet poem about the Kuznetsk Steel Works, a massive Siberian steel mill that was one of the flagships of Stalin's ruthless industrialisation drive when it was built in the 1930s. More than six decades later the ageing behemoth is again at the centre of Russia's political and economic transformation.

Like thousands of other factories in provincial towns across Russia, the mill is the subject of a fierce dispute between private investors who have acquired a controlling stake, and Soviet era managers who refuse to surrender control.

Upcoming presidential elections, which threaten to put a communist leader back in the Kremlin, have distracted attention from this escalating struggle to run the Russian economy. But regardless of who wins the June presidential ballot, it is showdowns on the factory floor that are likely to determine the role of private ownership in Russia for decades to come.

At the Kuznetsk Steel Works, which employs 33,000, the conflict worsened earlier this month when, on the strength of a court ruling in his favour, Mr Nikolai Fomin, a former director of Kuznetsk who is allied with the shareholders, entered the factory with a half-dozen armed policemen and occupied the general director's office.

But the next day Mr Evgenii Braunshtein, the current manager who is fighting to keep out the private investors, returned with an even bigger contingent of local policemen and ejected Mr Fomin.

Even then, the struggle was not quite over. Using the court decision that made him rightful general director of the steelworks, Mr Fomin acquired signing authority over the Kuznetsk bank accounts and cut off his rival's access to the money. Only after the personal intervention of the governor of the region did Mr Braunshtein reassert full financial control.

But the most intriguing twist in the fight for the steelworks is the involvement of local political heavyweights. Mr Mikhail Kisliuk, governor of the Kemerovo region, where the plant is located, was appointed by Mr Boris Yeltsin, and is one of the Russian president's staunchest allies. But Mr Kisliuk is also Mr Braunshtein's biggest backer, and approvingly quoted Stalin in a recent local television interview about the dispute.

Meanwhile, the private shareholders, who accuse Mr Kisliuk and Mr Braunshtein of making a personal profit from the plant's lucrative metals exports, have found an unlikely supporter in the figure of Mr Aman Tuliev, a popular local politician who is number-two in the Communist party.

Sitting in his luxurious offices, which are guarded by policemen in bullet-proof vests and monitored by a video camera, Mr Braunshtein outlines his strategy for resolving the conflict over the Kuznetsk Steel Works: he would like at least a 10 per cent stake in the plant to revert to state ownership and to be administered at the regional level.

"I would like the state to be the guarantor. Our problems should be the government's problems and our happiness should be the government's happiness," Mr Braunshtein says.

As further insurance against a takeover by outside investors, Mr Braunshtein has also launched an aggressive effort by the Kuznetsk Steel Works to buy back its own shares. To help management in this campaign, Mr Braunshtein is openly penalising factory workers, believed to own about 30 per cent of the shares, who sell their stock to outside investors.

"It will lead to greater debts [the share buy-back campaign] but we must do it to preserve the factory," Mr Braunshtein explains.

The alliance of private investors still hopes it will succeed eventually in asserting real control over the Kuznetsk Steel Works, but the government's open support of the communist directors has made local businessmen sceptical of Mr Yeltsin's support for private business in Russia.

"They are almost bankrupt, but at the same time they are buying up their own shares. That's not right and its not legal," says Mr Valerii Pugachev, general director of Hermes-Metal-Invest, a local investment company which owns about 10 per cent of the steelworks.

"Kisliuk [the governor] has no right to interfere in the administration of a private company. If this continues we will descend to a point where he can just close down any enterprise he likes, down to the smallest kiosk."

Other local businessmen say the dispute at the Kuznetsk Steel Works threatens to discredit Mr Yeltsin's administration. While posing as a market reformer, they say, Mr Yeltsin in fact represents the interests of a corrupt, quasi-feudal elite.

"Kemerovo is Russia's most industrialised region and it is the one which once supported Yeltsin the most," explains Mr Mikhail Zhivilo, the Moscow financier who has acquired control of a local aluminium smelter and is an ally of the private investors trying to take over the steelworks.

"Now Kemerovo votes for communists. And why? Because Kisliuk, Yeltsin's man, is a thief. Looking at Tuliev, I have to say the communists are much more honest."

As the race for the presidency heats up, Mr Yeltsin has tried to rally support from Russia's fledgling bourgeoisie by warning that the communists are bent on renationalisation and portraying himself as the only defender of private property. But, in regions like Kemerovo, that message is likely to fall on deaf ears.

Moscow shows willingness to meet Chechen leaders

By John Thornhill in Moscow

Gen Pavel Grachev, Russia's defence minister, is today expected to visit the breakaway region of Chechnya amid signs that Moscow may be willing to enter direct talks with rebel commanders in an attempt to end a bloody 15-month conflict.

In a television interview over the weekend Gen Grachev said he would be prepared to open talks with Gen Dzhokhar Dudayev, the Chechen leader who declared independence from Moscow in 1991, if that would help end the fighting.

Until now, Moscow has refused to consider talks with Mr Dudayev, who has been branded a "bandit" by Russian leaders. The Kremlin's drastic reversal of policy highlights President Boris Yeltsin's desperation to end the war, which has claimed more than 30,000 lives and undermined his chances of being re-elected.

Several powerful Russian regional leaders, such as Mr Boris Nemtsov from Nizhny Novgorod and Mr Mintimer Shaimiev of Tatarstan, have linked their political support for Mr Yeltsin to a cessation of hostilities. A recent opinion poll in the Sevodnya newspaper suggested Chechnya would be the most important factor determining how electors vote.

It is unclear how the two sides will find common ground for a lasting peace settlement, even assuming Mr Dudayev is willing to talk. Gen Grachev said any talks must be predicated upon Chechnya accepting it is part of the Russian Federation. But some rebel Chechen leaders have said they will settle for nothing less than full independence.

Fierce fighting continued to rage yesterday between separatist forces and Russian troops around the village of Sernovodsk.

Weapons build-up adds urgency to Cyprus issue

Bruce Clark reports on the complex issues raised by the prospect of the island's accession to the EU

The Cyprus issue, the longest-running "regional problem" in Europe, is again forcing its way up the diplomatic agenda in Washington, London and Brussels.

A mixture of fear, expediency and prudence is refocusing minds on the Mediterranean island which has been split since 1974, when Turkey occupied its northern third after a short-lived coup by supporters of union with Greece.

The fear is provoked by a steady increase in armaments on both sides, prompting the United Nations secretary general to describe Cyprus as one of the most heavily militarised areas of the world.

In the words of one western diplomat: "The arms build-up does not necessarily make a flare-up more likely, but it means that the consequences of a clash would be even more terrible." In Washington at least, interest in the island has been kept alive by the demand of Greek-American lobbyists for the Clinton administration to tackle Cyprus with the same energy as it brought to Bosnia.

Mr Richard Holbrooke stepped down last month as US troubleshooter in the Balkans with a firm injunction to his successor that 1996 should be the year of Cyprus – and an assertion that Britain fully shared his impatience.

UK officials have politely distanced themselves from this upbeat view – but Mr Jeremy Greenstock, political director of the British Foreign Office, recently visited Athens, Ankara and Nicosia to assess the prospects for progress.

Britain's interest in Cyprus stems from its role as a guarantor power, and its two military bases on the island – and more recently, from the looming prospect of the island's accession to the European Union.

Turkish-Cypriot leader Rauf Denktash, 72, is in intensive care after a heart attack yesterday. Doctors said his condition was stable.

A 14-year-old Greek veto on developing Turkish links with the European Union was lifted last March under an elaborate compromise deal which committed Brussels to opening talks with Cyprus on EU accession.

These talks are to start within six months of the end of the inter-governmental conference on the EU, which starts in a few weeks.

The recent downturn in Turkish-Greek relations has brought home to Britain and other EU members the complexity of the issues raised by their promise to Cyprus.

When Greece insisted last week on postponing payment of EU credits to Turkey – on grounds that Ankara was picking fights in the Aegean – French officials accused Athens of wrecking a delicate compromise.

But Britain found itself alone when it blocked the efforts of the EU's Italian presidency to issue a statement which appeared to imply some questioning of EU promises to Turkey.

The EU has stopped carefully short of saying that it would not admit the Greek-Cypriot administration, which is internationally recognised as the island's government, unless there is an agreement on reunifying the island.

If any stipulation had been made, it would have given the Turks an effective veto over Cypriot accession. But in the words of a senior British official, it would be "monumental folly" for the EU to admit Cyprus without a settlement.

Mr Mustafa Ergun Olgun, a Turkish-Cypriot official who visited London last week as a Foreign Office guest, insisted that the prospect of EU membership could and should be used to extract concessions from the Greek-Cypriots.

Diplomatic pressure on the Greeks to clear the way for a loosely-united island to join the EU could balance out the pressure which has long been felt by the Turkish-Cypriots because of their economic isolation, he argued.

For the Greeks, however, last year's promise to admit the island to the EU was not dependent on any further concessions. The island's economy, they say, is so healthy it could join the fast stream towards European integration almost immediately.

And if the EU insists on blocking Cypriot membership indefinitely, there is an awful prospect that Greece could block the EU's enlargement to the east – and paralyse European integration for good.

Turkish rivals now uneasy partners

Yilmaz and Çiller have buried the hatchet, but it may be only temporary, reports **John Barham**

The formation of a centre-right coalition government in Turkey yesterday has finally ended two months' confusion and uncertainty, but political analysts and members of the business community remain unsure about the government's durability or effectiveness.

Some fear that Mr Mesut Yilmaz, the new prime minister and head of the Motherland party, and Mrs Tansu Çiller, the outgoing prime minister and leader of the rival True Path party (DYP), may simply have postponed, not abandoned, their damaging struggle for control of Turkey's centre-right electorate.

The two leaders, who in the past scarcely concealed their contempt for each other, have agreed to share the premiership. Mr Yilmaz will take over from Mrs Çiller for the rest of the year before handing power back to her for two years, after which he will again serve as premier.

However, Mr Yilmaz warned: "We know how difficult the conditions are in which we must work. Rotation [of the premiership] may add more difficulties to our work. To be successful, both parties have to act like two partners."

Negotiating a watertight agreement was not easy. One commentator close to Mr Yilmaz said: "The Motherland party was very careful in the negotiating process to prevent the other side playing tricks, but it is also trying to see how it can trick [True Path]."

Their partnership is inspired by the uneasy coalition between Israel's Labour and Likud parties, which rotated the premiership between them in 1980-84. Jerusalem even provided True Path and Motherland with copies of the Labour-Likud coalition document.

As well as being debilitated by internal rivalry, the coalition lacks a majority in parliament. Together they can marshal only 261 MPs, 15 short of a majority. Bargaining for support from the two centre-left parties that control 124 MPs could blunt the edge of the new government's planned free-market economic reforms

Still, the media, the business community and the politically powerful military will probably keep up their pressure on the two to work together, just as they insisted that the two set their personal rivalries aside and form a government to exclude the Islamist Refah (Welfare) party from power.

Mr Yilmaz attempted to form a coalition with Refah, which emerged from last December's elections as the largest party in parliament, after twice failing to forge an alliance with Mrs Çiller. However, Turkish media reported that Refah-Motherland alliance talks collapsed after the army told Mr Yilmaz it would not tolerate a coalition with Refah.

While many Turks heaved a sigh of relief that Refah, which seeks to transform a 73-year-old secular republic into an Islamic one, has been excluded from power they also fear it will grow stronger in opposition. Refah and the small pro-Islamist Grand Unity party are now the only real opposition in parliament, as the two social democratic parties say they will support the True Path-Motherland coalition.

If the new government does carry out its promise to push through wrenching economic reforms, these policies could hit the poor and state employees hard. Industrial wages are already as low as £97 a month.

Still, MPs from both sides have made little secret of their intention to continue fighting each other for control of the centre-right, which traditionally represents about half the electorate.

Motherland hopes to discredit True Path by exposing alleged irregularities committed during Mrs Çiller's 32 months in power. Mrs Çiller's followers say Motherland, divided among conservatives, Islamist sympathisers and liberals, may split.

Optimists say the real differences between the two parties are exaggerated. Hürriyet newspaper reported last week that they planned to merge by the end of the current parliament. Either Mr Yilmaz or Mrs Çiller would assume the presidency after President Süleyman Demirel's term ends in 2000 and the other would remain as prime minister.


Rotating premiers: Çiller and Yilmaz shake hands yesterday Reuter

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Red scarf hides uncertain future

By Andrew Jack in Paris

If one thing more than any other characterised the militants gathered for the 18th congress of Force Ouvrière, one of France's largest unions, which closed in Paris this weekend, it was the red scarf.

Hundreds of activists were wearing the strip of cloth popularised in numerous images by Mr Marc Blondel, head of the union and one of the most important leaders of the demonstrations against the government's social security reforms at the end of last year.

Mr Blondel held court for admirers impressed by his performance during the strikes. Yet the national congress, held once every three years, was not as comfortable as it might have been. For the first time since the creation of the union in 1948, a secretary general standing for re-election faced an opponent.

Mr Jacques Mairé, head of the Paris regional branch, announced his candidature late last year, accusing Mr Blondel of being in the control of Trotskyist militants and leading the organisation in the direction of conflict and protest.

Equally embarrassing, Mr Blondel faced recent criticism from Mr André Bergeron, his well-respected predecessor as head of Force Ouvrière (FO) from 1963 till 1989, who argued that – unlike the union under its new leader – he supported the French government's social security reforms.

In the event, Mr Blondel carried the day easily. While Mr Mairé knew his defeat was inevitable, he had hoped to win up to 30 per cent of the vote. In fact, he won just half that.

Mr Blondel pledged to request meetings with President Jacques Chirac and the prime minister, Mr Alain Juppé, to demand meaningful social dialogue with the government, and to focus on the challenge of unemployment.

Even so, away from militants' triumphalist standing ovations and the traditional chorus of the "Internationale" at the end of the congress, FO faces some serious challenges in the realignment of the French trade union movement.

Internally, there are clearly tensions. Mr Blondel's activity report was approved by 78.10 per cent, down from 84.23 per cent in 1992. Lingering criticism of him remains from his handshake during the strikes with Mr Louis Viannet, head of the rival CGT union.

Some fear the development of stronger links between the two organisations.

Externally, FO is also under threat. Union membership in the country continues to decline, standing at below 10 per cent. In itself, this is not necessarily a threat – French unions have never had a tradition of mass membership, and, as December's strikes show, can still mobilise considerable support.

Yet the workforce is realigning, and FO's traditional power base in the public sector is under threat. The latest works' committee elections in workforces around the country also seem to show FO losing ground to the CGT, and to the CFDT, the more moderate union.

It is no surprise that this weekend Mr Blondel stressed one of his top objectives was to launch a recruiting drive in the private sector. How successful he will be is more open to question.

EUROPEAN PRESS REVIEW

Winning TV football bid raises scepticism

ITALY

By John Simkins

Mr Vittorio Cecchi Gori has all the qualifications to make television shows in Italy, *La Repubblica* commented sourly on Friday. "A gigantic conflict of interests... a football team, sport and film TV rights, political protection and backing from the banks." The reference was to the owner of the Florence-based Fiorentina team who also controls Telemontecarlo and Videomusic – two small TV channels with less than 5 per cent of the national audience.

Mr Cecchi Gori had just astounded the country and dismayed football fans by winning the TV rights for Italian football, beating the state-controlled Rai broadcasting organisation with his bid of L213bn ($135m) for each of the next three years.

The centre-left La Repubblica was also taking a sideways swipe at one of its arch-demons, Mr Silvio Berlusconi, the former prime minister and owner of AC Milan. As the paper said in a return to the subject on Saturday, about the only thing which could make Mr Cecchi Gori jealous of Mr Berlusconi was that the latter's team was leading the first division.

The papers were united in their scepticism of the football league's choice of Mr Cecchi Gori, because of doubts as to whether his network could cover the country and as to how he would finance the bid.

But they also poured scorn on the vanquished Rai, which has not been permitted by the government to enter the pay-TV field either. Rai's chairman, Ms Letizia Moratti, seen as linked to the political right, suffered more humiliation when Mr Pippo Baudo, king of TV variety and the San Remo song festival, said he might desert "Mamma" Rai.

"Suffocated by the maternalism of a chairwoman who imprints her style on the business way beyond her prerogative, the Rai has lost football and Pippo Baudo in one blow," said *La Stampa* on Saturday.

The papers were concerned for football fans, who face the loss of beloved Rai programmes such as "Novantesimo Minuto" (Ninetieth minute) and "La Domenica Sportiva" (Sunday Sport), and La Repubblica reported a poll which showed 80.9 per cent of those interviewed expressing doubt that Mr Cecchi Gori could do as good a job as the Rai.

But the papers spotted even more serious implications. For years, said La Repubblica, there has been a need for a third TV axis to rival the Rai and Mr Berlusconi's Fininvest, but given the financing doubts and Mr Cecchi Gori's conflicts of interest – he is a senator with the central Popular party – was this the right way to establish one? Mr Cecchi Gori is seen as a backer of Mr Lamberto Dini, the caretaker prime minister who last week controversially launched his own central party, Dini Italian Renewal.

"Cecchi Gori is today Berlusconi's rival but he has the same idea," said Gianfranco Piazzesi in the *Corriere Della Sera* yesterday. "He is convinced the successes of a football team and a TV network can push him on."

Mr Cecchi Gori has denied wishing to present "Telly-Dini" but the Giannelli cartoon in the same Corriere edition envisages "The big centre" on Telemontecarlo, with all the players in the centre of the pitch.

La Stampa yesterday reminded readers that Mr Cecchi Gori and Mr Dini were both Florentines. But it held out hope there might be extra time in the match between competing teams.

"The Romans, meanwhile, observe, chat and do their sums... With emperors, popes, kings and presidents, they have known for over 200 years that there is never an end to the story."

Unfair, claims Berlusconi

The gloves came off in Italy's election campaign yesterday as supporters of the former premier, Mr Silvo Berlusconi, accused the current prime minister, Mr Lamberto Dini, of having unfair television access, AFP reports from Rome.

President Oscar Luigi Scalfaro meanwhile urged the competing coalitions to make "credible commitments" with programmes "possible to carry out". Mr Berlusconi, media magnate and leader of the rightwing National Alliance, demanded that existing electoral laws be changed to limit the amount of television airtime allocated to Mr Dini during the election campaign.

The current law guaranteeing equal media access to candidates was put in place in 1994 to prevent the Berlusconi-led coalition gaining an unfair advantage – he owns three private television channels. At the time he protested vigorously against the law.

But when Mr Dini, the caretaker prime minister, said he did not intend to change the law for the current elections, the right wing reacted angrily.

Under the law, political advertising is banned 30 days before the elections – scheduled for April 21 – and candidates are allocated equal air time. However Mr Berlusconi's party, Forza Italia, said regular government business, including Italy's current role as President of the European Union, was itself a form of advertising.

Mr Dini said he would only change his position under pressure from "a great majority of forces".

NEWS: ASIA-PACIFIC

Bangladesh's PM offers to step down

By Mark Nicholson, South Asia Correspondent

Mrs Khaleda Zia, Bangladesh's prime minister, yesterday moved to meet the central demands of opposition parties which boycotted last month's elections by offering to form a "non-party" government to hold a contested poll "in the shortest possible time".

However, opposition activists immediately took to the streets of main cities to protest against the offer, which was made in a national television broadcast. Police using teargas put down protests in Dhaka, the capital and Rajshahi, to the north. Opposition leaders offered no immediate comment.

Mrs Zia said she was prepared to stand down in favour of a neutral government for the purpose of holding a contested poll to be supervised by the country's election commission. Management of state affairs would be handed over to the interim administration before and during the poll, she said.

The prime minister said a bill would be introduced to parliament, now dominated by her Bangladesh Nationalist party after last month's opposition-boycotted poll, to enable the proposed election. "Let's all accept realities without causing further harm to the country," she said.

Bangladesh's three main opposition parties, the Awami League, the Jatiya Party and the Jamaat-I-Islami, boycotted and disrupted last month's general elections which they claimed were invalid. All three have insisted the BNP was incapable of holding a "free and fair" poll and that they would participate in elections only under a "neutral caretaker government".

Violent clashes before, during and since the poll have claimed 30 lives and left hundreds injured. The opposition has vowed to "close down" the country from March 9, seeking the resignation of Mrs Zia and demanding new elections under a neutral government within 90 days.

Mrs Zia's address follows her claim before February's poll that she could not meet opposition demands without a constitutional change which her previous government did not have a sufficient majority to enact.

With such a majority now in place, Mrs Zia also said last night the government would also put her fresh proposals to a referendum.

Earlier discussions between Mrs Zia and the opposition over creating an interim government have previously foundered on detail, while having also resisted strenuous diplomacy from both Bangladesh's main aid donors and the Commonwealth.

Khaleda Zia: prepared to resign

Howard weighs into office with a promise of unity

Nikki Tait looks at problems facing Australia's new government

Mr John Howard, who became Australia's 25th prime minister on Saturday night, claimed his job with a promise to both unify the country and differentiate his government from that of the previous Labor administration.

He talked of "a government not only for the people who voted for us, but those who voted against us." He continued: "We have been elected with a very powerful mandate, and whilst I will seek at all times unity and a common point of view, we have not been elected to be just a pale imitation (of the outgoing government)".

Stirring as the words were, the harsh reality this morning is that achieving these twin objectives is going be tough.

Mr Howard has a huge majority in the House of Representatives, parliament's lower house (and the one which determines who forms the government). The Liberals and their coalition partners, the National party, hold at least 90 seats out of 148, compared with Labor's 46. The majority could go as high as 52 when counting is finally completed.

But the precise strength of Mr Howard's mandate, and what it really covers, is more questionable.

The first set of caveats arise on the political front. While there was a big swing against Labor of about 6.2 per cent (before allocation of preferences under Australia's transferable vote system), the swing to the coalition was more modest – about 2.2 per cent to the Liberals, and just over one per cent to the Nationals.

More significantly, there was also an appreciable swing to the Australian Democrats, one of the minor parties, in a concurrent election for about half the 76 seats in the Senate. Through parliament's upper house all legislation (including finance bills) must pass.

Final Senate results will not be known for about a fortnight. But the Democrats, a left-leaning party with a strong social and environmental agenda, look likely to emerge with eight seats, compared with seven previously. Along with perhaps one Green party senator and an independent, they are likely to retain the balance of power in the upper house.

This could be difficult for Mr Howard. The Democrats campaigned on an agenda which differed from the coalition's in many respects, and took as their slogan "Keep the bastards honest". Saturday's result appears to give them a mandate, too.

Senator Cheryl Kernot, the Democrats' leader, said yesterday she hoped to be able to work constructively with the new government. In the past, she has also pledged not to thwart supply (that is, the bulk of a government's finance package). But Ms Kernot signalled that the Democrats' opposition to certain coalition policies would not be easily shifted.

For example, the new government wants partially to privatise Telstra, the big telecommunications group, and fund a A$1bn environment package only out of these proceeds. The Democrats reject both the sale and the linkage.

The second set of problems for Mr Howard loom on the economic front. The coalition won its mandate on a package of policies which were anything but radical. It pledged to retain key social services such as Medicare, the national health insurance programme, and also promised not to increase taxes. It announced new spending commitments of about A$6.3bn (£3.1bn) (spread over the three-year parliamentary term), with the big ticket items being rebates to encourage people to take out private health insurance, and tax breaks for low to middle-income families.

The difficulty will be meshing the spending and tax concession commitments made in the campaign with a promise to move Australia to a budget surplus, an essential objective if the country is to address its chronic savings problem.

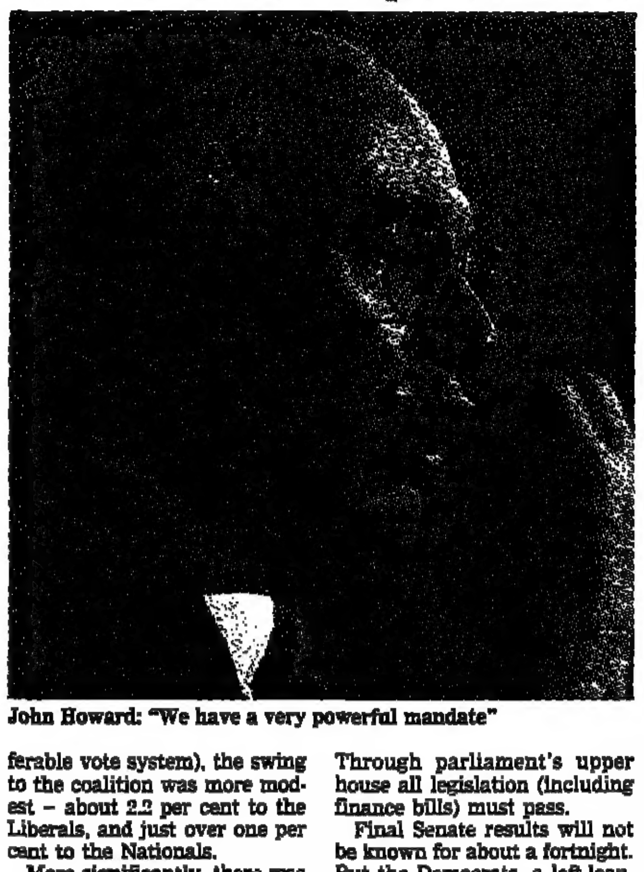
The scale of the problem is a matter of hot debate. Most economists believe that Australia's faces an underlying budgetary deficit (excluding asset sale proceeds) of about A$8bn in 1995-96. This equates to about 2 per cent of gross domestic product. Published forward estimates for 1996-97 are 10 months old, but there is a strong suspicion that the prospective deficit for the following financial year could lie between A$2bn and A$9bn. Mr Peter Costello, who will be federal treasurer, says he expects to see the latest Treasury estimates today.

While the coalition claimed to have more than funded all campaign promises by offsetting revenue measures or expenditure cuts, making up this additional gap on top may not be easy. Mr Howard, moreover, has said very firmly that campaign commitments will not be broken in pursuit of fiscal rectitude: "We will always give preference to our promises. No promises to individuals will be broken," he has promised.

Thirdly, the new prime minister will have to contend with the spectre of wage inflation. The Australian Council of Trade Unions (ACTU) has warned that in the absence of a wages accord between the unions and the coalition – a centrepiece of Labor's strategy – market bargaining rules would apply.

Some employer groups dismiss this as bluster, pointing out there will be pressure on the ACTU to act responsibly – not least because its threats of industrial disruption during the campaign are thought to have enlarged the coalition's victory. But not everyone is optimistic. On Friday Mr Stuart Hornery, chairman of Lend Lease, the property and financial services group, warned it could be "a difficult industrial climate going forward" if the coalition won.

Despite the decisive outcome on Saturday night, Australia could thus face a nervous few months. Achieving anything close to unity will be a big and immediate test for an inexperienced ministerial team.



John Howard: "We have a very powerful mandate"

THE MAIN POLICIES

- A$1bn-worth of annual tax breaks for low- to middle-income families
- Tax or cash rebates for private health insurance, but Medicare to be retained with no increase in levy
- No further scrutiny of wage agreements by Industrial Relations Commission, but a new Employment Advocate set up to advise workers. Wage agreements cannot fall below award levels
- Tougher sanctions against secondary boycotts during industrial disputes; unfair dismissal laws to be changed to make it easier to sack employees
- Easing of capital gains tax on small businesses and improved tax treatment for employee share plans
- Banks to be able to sell superannuation products, and a review of the financial sector to consider removing regulatory barriers between banks and non-banks. Bank mergers with life offices a possibility
- A third of Telstra telecoms company to be sold to private investors, with restrictions on foreign ownership
- Public review of media cross-ownership rules
- Amendments to simplify Native Title Act
- End to policy restricting uranium mining to three sites
- Negotiations to restart on trans-Tasman aviation market

China to permit limited forex trading

China is to permit pilot interbank foreign exchange trading in four locations as a step towards currency convertibility on the current account, writes Tony Walker in Beijing.

The centres, open to foreign banks and companies, will be established in the coastal cities of Shanghai, Dalian and Shenzen. Eastern Jiangsu province will also be included in the experiment.

Regulations issued by the People's Bank, China's central bank, mean foreign-funded institutions will be permitted to trade foreign exchange at designated banks without first securing approval of the State Administration of Exchange Control. But foreign companies will be obliged to open a single trading account in each city. The central bank will impose ceilings on funds lodged in them.

In Beijing, a foreign banker welcomed the new rules as "another step" towards convertibility, but said it was not clear how much latitude foreign banks and companies would be permitted.

Bankers hope experimental moves towards convertibility will open the way for limited dealings in local currency. Foreign banks have been urging the authorities to allow them to conduct yuan business. A representative of the central bank said the aim of the new rules was to "provide more convenience and freedom for firms to purchase and sell foreign exchange."

"Ceilings on the accounts will be somewhat relaxed ensuring that the firms will be able to conduct daily transactions," he added.

The official Xinhua newsagency quoted a Chinese official as saying that "exposing overseas-funded firms to the interbank foreign exchange market is the most important step China has taken so far to turn the renminbi into a completely convertible currency."

China has indicated it will make moves towards convertibility this year, but bankers are sceptical. They believe that it will take more time for China to put in place mechanisms to support such moves.

● China's exports during December fell about 7 per cent compared with the same period in 1994, indicating its export surge may be slowing. Chinese customs reported that exports in December totalled $17.2bn, while imports were $18.5bn, up 3 per cent on 1994.

China recorded an overall $16.7bn trade surplus last year compared with $5.4bn in 1995. A surplus of $5bn to $6bn is forecast for this year. Total two-way trade in 1995 reached $281bn, an increase of 18.6 per cent over the year before. Exports rose 23 per cent and imports 14 per cent.

Canberra's new boys on the block

By Nikki Tait in Sydney

The Liberal-National coalition's sweeping victory on Saturday will mean a big change to the prominent faces in Canberra.

After 13 years in opposition, many of those who stand to take senior jobs are little known. Aside from Mr Howard himself, only one other coalition member has served as a federal minister.

One person who does enjoy high recognition, despite the fact that he only entered federal parliament in 1990, is Mr Peter Costello.

The 38-year-old deputy Liberal party leader has already been promised the treasurer's job, a position he has been shadowing for two years.

Mr Costello, a one-time student activist, comes from a middle-class, Baptist background in Victoria and comparisons have already been drawn with the young Paul Keating.

Like the outgoing prime minister, Mr Costello is a highly effective debater, capable both of withering scorn and bombastic eloquence.

Mr Costello shot to national attention when, in an earlier life as a lawyer, he triumphed in the "Dollars Sweets" case – a landmark ruling in which a small company took on the unions over wages. It won him the everlasting enmity of the labour movement.

The reservations are whether Mr Costello's bullying manner will be well suited – or sufficiently softened – to deal with a delicate situation in the Senate, parliament's upper house where the coalition will probably lack a majority.

Some detractors have also wondered whether there may be more show than substance to this rising star: where, for example, within the Liberal party's broad church, do his ideological allegiances really lie, and how deep is his mastery of the key economics portfolio?

If Mr Costello's fate is clear, it is less certain what will happen to Mr Alexander Downer, who briefly preceded Mr Howard as coalition leader and has been shadowing the foreign affairs portfolio.

A couple of ill-judged remarks and media blunders forced Mr Downer out of the leadership job. Since then, he has put in diligent and often effective performances.

But there is a big concern that any slips in the foreign affairs field could be highly damaging to Australian interests. Many seasoned Canberra hands believe that he will be offered either the defence or finance portfolio, leaving Senator Robert Hill to take foreign affairs.

Senator Hill, a South Australian barrister who has been in parliament since 1981, has been the coalition's leader in the Senate. He has a much lower profile than Mr Downer, but wins points for reliability.

On the Labor side, changes will be no less significant. Paul Keating said on Saturday he would not recontest the Labor leadership position.

As a result, the party is expected to rally around his existing deputy, Mr Kim Beazley.

Mr Beazley, a burly, avuncular Western Australian, is likely to be a popular choice. A former Rhodes scholar, his intellect is respected and he has experience of a number of senior portfolios.

Here, however, the big reservation has been whether Mr Beazley has the required steel to unite the party's various strands, and drive the agenda forward. Put simply, he is perhaps too nice.

There is also a more immediate difficulty – namely whether Mr Beazley retains his Perth-based seat of Brand, which was held only on a margin of 3.7 per cent. By the end of counting on Saturday, he was about 100 votes ahead, but with some 3,000 pre-poll and postal votes yet to be tallied. The final result may not be known for a week.

One big loss is Mr Michael Lavarch, who at 34, won plaudits all round for his handling of the attorney general's job.

Lex, Page 18; Editorial Comment, Page 17

Australian election RESULTS Population 18m

House of Representatives: 148 seats** (1993 results in brackets)

	Seats	
Labor party	46	(80)
Liberal/National coalition	90	(65)
Liberals	72	(49)
Nationals	18	(16)
Others	4	(2)

**The outgoing house had 147 seats, but redistribution gives the new house 148

Europe will be 'sympathetic' on freer trade

By Peter Montagnon and Ted Bardacke in Bangkok

Europe will give "serious and sympathetic response" to suggestions from members of the Asia-Pacific Economic Co-operation forum that it match Asia's trade liberalisation with market opening measures of its own, Sir Leon Brittan, EU trade commissioner, said.

But he made it clear that any action would depend on real liberalisation being agreed by Apec at its meeting in the Philippines this autumn.

"We will see what Apec actually decides to do," he told foreign ministers attending the EU-Asia summit. "We will consider it carefully, taking account of what we have already done and are doing, and will see if what Apec is doing goes beyond this with a view to giving it a comparable response."

His remarks are the first public hint from an EU official that Europe could respond to the Apec challenge. European officials admit that Asia's newfound enthusiasm for trade liberalisation put the EU under more pressure on trade issues than had been expected at the summit.

"We were on the defensive on trade, while they [Asia] were on the defensive on human rights," said one. Asian countries suggested at the summit that Europe might get a "free ride" from Apec's liberalisation unless it too moved to open its markets. On Friday Mr Ryutaro Hashimoto, Japan's prime minister, called on Europe to take concrete action.

But the Commission would have to obtain the support of member states for such a step and Sir Leon's response was also hedged with qualifications. The EU was already taking various actions, he said.

'We were on the defensive on trade, while they were on the defensive on human rights'

"We are liberalising our financial services, telecoms and other sectors, creating a single barrier-free market open to our Asian partners. This can be regarded itself as a response to the Apec challenge."

Europe had also accelerated the tariff cuts to which it is committed under its Uruguay Round agreement and was considering an agreement on information technology with the US which would operate on a multilateral, non-discriminatory basis, he added. The process has to be balanced and it would be "a spurious balance" to move further without seeing what Apec delivered.

Europe and Asia in accord to increase volume of exchanges

Bureaucratic budgets and global flight plans will be strained by the volume of meetings and exchanges the world will witness over the next couple of years, after European and Asian leaders announced a long list of measures to follow up on their first-ever meeting in Bangkok.

Senior trade officials will meet in Brussels in July to prepare for December's World Trade Organisation (WTO) ministerial meeting in Singapore. Foreign ministers will meet in February 1997 to plan for the next Asia-Europe summit in the UK in 1998.

Economic ministers will meet in Japan, also in 1997. A government/private sector working group will meet in Thailand to draw up an "action plan" to foster greater flows of investment and trade between the two regions.

An Asia-Europe Business Forum will meet in France, to do the same.

Thus the leaders claim that the meeting achieved what it set out to do: increase the links between Europe and Asia in a way that marks a recognition by the former of the latter's growing importance, not only economically but also strategically and politically in the post cold war world.

Yet although the summit marked the start of a closer relationship, it did not set any specific goals. The leaders shied away from institutionalising their new links and from setting any benchmarks for future success. The German chancellor, Mr Helmut Kohl, said the next summit should not engage in nitty-gritty negotiations, but "examine the achievements of the follow up."

Asian leaders appeared quite comfortable with this vague outcome. Thai prime minister Mr Banharn Silpa-archa said both the Asia Pacific Economic Co-operation (Apec) forum and the Association of Southeast Asian Nations (Asean) began in a similarly unstructured way and "came to fruition over a period of time".

But the cordiality of the summit did not mask the wide differences that exist between Asia and Europe even on items where co-operation is supposed to be mutually beneficial.

The European idea of a multilateral code on foreign investment ran up against fierce opposition from many Asian countries, particularly Indonesia, which are resolutely defending privileges accorded to domestic companies with political connections.

Similarly, Asian calls for special European tariff cuts and a reform of EU anti-dumping procedures – as a reward for giving European businesses "access to our low-cost labour" in the words of Malaysian prime minister Dr Mahathir Mohamad – were all but rejected.

Europe does not want to open its markets immediately but to discuss trade liberalisation in the WTO this December, said Mr Jacques Chirac, the French president.

On the political and security side, "there did not seem to be so much interest in the Taiwan issue, Korea, or the Spratly Islands," said a senior Asian official. And even on seemingly trivial issues such as expanding the membership of the meeting to India, Pakistan, Australia and New Zealand, there was a wide disagreement.

Several Asian officials said that, though the Commission was enthusiastic about the meeting, the European leaders seemed badly prepared. Mr Kohl and Mr Chirac left Bangkok enthusiastic about further collaboration, they said, but the UK prime minister, Mr John Major, kept a disappointingly low profile, partly because of his preoccupations with Northern Ireland.

For several European leaders, a main challenge of Bangkok was how to handle the issue of human rights.

They had to satisfy demands from home that human rights should be raised, without sparking a row which would undermine the summit. Having apparently succeeded, they then praised their achievements in the cultural arena.

Both Mr Kohl and Mr Chirac went out of their way to congratulate Singapore's initiative, backed up with a $1m donation, to set up an Asia-Europe Foundation to promote academic and cultural links. An Asia-Europe University Programme will also be started, while studies on "economic synergy" will be carried out and youth exchange programmes promoted. And Thailand will be home to a new Asia-Europe Environmental Technology Centre.

To live up to their leaders' glowing rhetoric at the end of the meeting, Asia and Europe have to deliver tangible benefits on trade, investment and security through a process that both sides want to keep informal and spontaneous. How far they will succeed remains as uncertain as before the leaders congregated in Bangkok.

Ted Bardacke and Peter Montagnon

Europe and Asia have agreed to build a historic "trans-Asian" railroad running from Seoul through North Korea, China and Singapore, AFP reports from Seoul.

The railroad will run across the heavily fortified Korean border, Mr Kim said, adding that South Korea had already secured an understanding with China, Vietnam and Singapore.

"North Korea has yet to agree on this project, but I believe that's a matter of time," Mr Kim was quoted as saying. Joint construction of the proposed railroad would start "at an early date", along with the development of Mekong river areas, he said.

During the recent inaugural summit of Asian and European countries in Bangkok, Mr Kim suggested that Asia and Europe build an information superhighway and transportation network linking the two continents.

هكذا من الأصل

Real international understanding starts here.

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In the words of the U.S.A.'s Forrester Research Institute: "Together, Deutsche Telekom, France Telecom and Sprint form what is probably the strongest alliance in the world." They go on to highlight our common vision, compatible products, virtually complete international coverage and vast combined experience in network technology.

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Add the resources of our new worldwide consortium and you have an international communications capability which cannot fail to benefit your business.

Our connections move the world.

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Hamas shows political power

Julian Ozanne assesses hopes of dialogue to advance peace

Four Islamic attacks against Israelis in the past eight days have established that the extremist Hamas Islamic group has the power to determine the fate of the Arab-Israeli peace process and the political futures of Mr Shimon Peres, Israeli prime minister, and Mr Yassir Arafat, Palestinian president.

The attacks have left at least 45 people dead, have undermined Mr Arafat's credibility and have dealt a blow to the electoral chances of Mr Peres, who has called early Israeli elections on a platform of making peace.

The attacks have proved that Hamas remains a serious political and military power which, if ignored, could still torpedo the fragile peace gains of the last two and a half years.

Less clear are the immediate political objectives of Hamas, a movement in the throes of a divisive internal debate over whether to drop its armed struggle against Israel in favour of political accommodation with Mr Arafat. The divisions pit Islamic fanatics against moderates and political pragmatists, and those living inside the Palestinian self-ruled areas against the external leaders in Jordan, Syria and the US.

All Hamas leaders oppose the peace process on principle and believe it will never deliver the Islamic state Hamas wants in most of the land of "Palestine". But Hamas moderates inside the territories believe that to continue the armed struggle, when most Palestinians support the peace process, would be political suicide.

Although the moderates believe the peace accords will ultimately fail to deliver Palestinian rights, they think the movement must forge a short-term accommodation rather than risk open confrontation with Mr Arafat. Such a move would preserve their extensive social welfare and religious network, and enable them strengthen their position.

The divisions inside Hamas are complicated because the movement is underground, with secret cells, decentralised leadership and a strict organisational division between the political and military wings. It is often uncertain whether the political wing is driving the military wing or vice versa.

Israeli Prime Minister Peres (circled) visits the blast scene in Jerusalem yesterday Picture: AP

Also, last week, after the Izz a-deen al-Qassam brigades, the Hamas military arm, had denied responsibility for last week's attacks, it became apparent that the military wing itself is split. Recent attacks have been carried out by more extremist military cells in the West Bank named after the late Yayha Ayyash, a Hamas bombmaker believed to have been killed by Israel in January.

Hamas leaders in Gaza yesterday tried to portray the recent bombings as a series of revenge attacks by Hamas guerrillas for the death of Ayyash and as a warning to Israel to cease hunting down Hamas militants. The political wing also said it was against the slaughter of innocent Israeli civilians and denied it had played a role in the decisions behind the attacks. It blamed Israel for refusing to respond positively to the Hamas ceasefire offer last week in return for release of Hamas prisoners and an end to Israeli attacks on its activists.

But analysts call this a smokescreen and say the attacks are a much more important message, to Mr Peres and Mr Arafat, that Hamas, backed by up to 20 per cent of Palestinians, must be taken into a political dialogue.

"Hamas is sending a message to Israel that our blood is not cheap and Israel must think seriously about involving Hamas in a political dialogue," said Mr Imad Faluji, a former Hamas leader and an elected member of the Palestinian parliament. "Israeli security is in the hands of Hamas and, if Israel wants to see real peace and security, [it] must try to meet all the rights of the Palestinian people. Otherwise, the peace process will fail and we will return to the terror circle."

Mr Faluji, who acts as a bridge between Mr Arafat and Hamas, said the latter was clearly aware of the political impact the attacks have on the electoral chances of Mr Peres and was deeply concerned about the possibility of the right-wing Likud opposition coming to power in Israel on an anti-peace ticket.

Both Mr Faluji and Sheikh Abu Musamah, editor of the banned Hamas newspaper Al Watan, confirmed the movement was in a "self-evaluation." The editor said the political wing had been close to a political agreement with Mr Arafat when Israel killed Ayyash. But, until there was such an agreement, said Mr Faluji, Hamas military cells were free to carry out any action they thought necessary. Once a political accommodation was struck, the political wing would be able to enforce it on the military wing.

Efforts to reach accommodation with Hamas are now in question. Israel refuses Hamas offers of dialogue, saying it will not negotiate with terrorists and that it is up to Mr Arafat to deliver his side of the peace deal and guarantee Israeli security. But it is by no means certain that the option of continuing to press Mr Arafat to crack down harder on Hamas will bear fruit, and Mr Arafat is mindful of the potential for major internal conflict such a crackdown could provoke.

Withdrawal of four candidates may frustrate business-minded

Iran election setback for moderates

By Robin Allen, recently in Tehran

The chances of moderate rightwing groups gaining a majority in elections on Friday to Iran's Majlis, or national parliament, suffered a setback yesterday with the withdrawal of four members formerly on the list of the Freedom Movement of Iran.

The four had been allowed to contest the elections as individuals, rather than under the FMI umbrella.

Political commentators in Tehran said that the decision of the FMI candidates withdraw would deprive many middle-class voters of an identifiable "business-minded" group for which to vote.

The four ostensibly withdrew their nominations to protest against the refusal of the interior ministry to allow them to hold public meetings at Tehran university and in the capital's suburbs.

The departure of the FMI grouping from the political arena coincides with shifting personal alliances within other big rightwing and technocratic groups, with several individuals appearing on the lists of more than one competing faction.

"Providing enough people vote," said one commentator, "there is a good chance that growing public enthusiasm for more secular and less clerical government will be reflected in the new Majlis.

"This would make it much easier for Iran to have a non-clerical president to succeed the incumbent, President Hashemi Rafsanjani, next August."

A total 3,232 individuals from more than a dozen groups – political parties as such are banned under Iran's Islamic constitution – is contesting 270 seats in the new four-year Majlis. The parliament will be the fifth since the revolution of 1979 gave the Shia clergy a stranglehold on the country's political system.

Public concern over inflation, officially put at 54 per cent last year, and general economic mismanagement has eroded the clergy's overt authority.

But most groups which have passed the regime's stringent official vetting procedures, have retained an Islamic "label".

The most prominent are traditional conservatives in the JRM (Jame'-e-Ruhaniyat-e-Mobarez or Assembly of Combatant Clergy), which holds a majority of 150-160 members in the outgoing Majlis; candidates under the G-16 label of more modern-minded technocrats, all of whose sympathisers have had government experience; and a large number of independent factions represented by provincial businessmen and academics who are well known in their own communities.

The main left-wing group, the MRM, is boycotting the elections.

INTERNATIONAL NEWS DIGEST

Moroccan king plans reforms

King Hassan of Morocco said yesterday he would set out a wide-ranging programme of constitutional reform in the second half of this year – including changes in the country's parliamentary system.

Under the present constitution, a third of the 333 parliamentary deputies are picked by an electoral college, a system which the opposition says does not ensure proper representation. The opposition argues that the system of indirect elections works in favour of the centre-right parties now in government.

King Hassan said he would put forward the changes after the second session of parliament, which ends in June or July. The changes would include setting up a bicameral parliament.

He indicated that the political changes being proposed were part of comprehensive reforms that involved looking at administration, the economy and education. The king, 66, also assured Moroccans he was physically fit after a recent illness. *Reuter, Rabat*

Shift in Venezuelan Congress

The Venezuelan government of President Rafael Caldera has lost its control of congress to a new alliance of opposition parties. The two-year-old coalition of the Democratic Action party and the government party Convergence was ousted from the presidencies of the upper and lower chambers by the socialist MAS party and the centre-right Copei party.

The shift could complicate Mr Caldera's efforts to pull the country out of a deep economic crisis and to reach a stand-by agreement with the International Monetary Fund.

Late last week, the government postponed talks with the IMF because of "an unclear situation in Congress." Several tax and deficit reduction bills proposed by the government depend on congressional approval and are deemed necessary to reach an agreement with the IMF. *Raymond Colitt, Caracas*

South African trial to start

The trial of South African former defence minister Magnus Malan, and of other high-ranking military and intelligence officers accused of organising death squads, is to begin today in Durban.

Mr Malan, 66, and 19 others, including members of the old military intelligence, chiefs of divisions of the white-led army and the deputy secretary-general of the Zulu-based Inkatha Freedom Party, face a lengthy Supreme Court trial.

They are the most prominent South Africans to face trial for alleged crimes of the country's apartheid era since the first elections for all races brought black majority rule to South Africa in April 1994.

The trial will hinge on the massacre of 13 people, mostly women and children, in the Zulu heartland of KwaZulu-Natal province in 1987. *Reuter, Durban*

Record global sales of drugs

Daniel Green finds rapid US growth leading pharmaceutical surge

World drugs sales grew to record levels in 1995, led by rapid growth in the US, according to figures published today.

Sales of prescription drugs at retail pharmacies in the top 10 markets grew by an average of 8 per cent, excluding currency effects, to \$139bn.

That compares with sales growth of 5 per cent in the previous year and to 1 per cent in 1993, according to IMS, the specialist drugs industry market researchers.

The US market was the fastest growing in the top five countries, with sales up 10 per cent to \$54.7bn.

The UK was the second fastest growing, with sales having risen 9 per cent to \$6.25bn. The UK remains, however, a smaller market than that of Germany, France or Italy.

German sales grew 7 per cent to \$16.5bn, French sales rose 6 per cent to \$15.1bn. In Italy, where the government has introduced a series of measures to restrict spending on medicines, drug sales increased 4 per cent to \$7.66bn.

Japan was the third fastest growing country, recovering from price controls imposed in 1994, with sales up 8 per cent to \$26.4bn.

Among the smaller markets, there was high growth in Spain largely due to a recovery from state-imposed price control measures and sales were up 11 per cent to \$4.77bn.

The picture, when measured by medical area, shows the fastest growth in four areas, thanks largely to the introduction of new products.

Sales of anti-infective products, including antibiotics and anti-virus drugs such as treatments for Aids and herpes, rose 13 per cent in 1995 to \$14.7bn.

The drug categories highlight cultural difference between countries. Anti-infective sales in the UK, where doctors are conservative about prescribing, grew 11 per cent to \$464m. In France, which has a population of similar size, sales grew 15 per cent to \$2.02bn. France has among the lowest drugs prices in Europe, but this is counter-balanced by doctors' habit of heavy drug prescribing and a health care system that allows patients to visit more than one doctor.

Respiratory drugs, mostly for treating the fast growing condition asthma, rose by the same proportion to \$14.2bn.

During 1995, there was spectacular growth in sales of nervous system drugs, which include anti-depressants such as Prozac, made by Eli Lilly of the US.

Sales in this category rose 12 per cent to \$18bn. In the US, nervous system drug sales grew 14 per cent to \$9.69bn, making it the biggest single medical category.

Sales of blood agents, including the relatively new category of cholesterol-lowering drugs, rose 13 per cent to \$7.86bn.

In most other countries, the biggest categories remain heart drugs and digestive system drugs such as Zantac, the ulcer drug made by the UK's Glaxo Wellcome, which is still the world's biggest selling medicine.

But both these categories are growing much more slowly than most others, thanks to increasing competition as patents expire.

Digestive system drugs sales grew 6 per cent to \$23.6bn, and heart drug sales rose 4 per cent to \$24.9bn.

World pharmacy drug purchases January-December 1995 in US dollars (m)

	N. America	Japan*	Germany	France	Italy	UK	Spain	Netherlands	Belgium
Cardiovascular	9,091	4,071	3,824	3,551	1,639	1,036	940	377	393
Alimentary/Metabolism	9,428	4,900	2,820	2,348	1,296	1,249	785	465	301
Central nervous system	10,256	1,292	1,813	1,813	803	887	590	249	322
Anti-infectives	5,531	3,511	1,190	1,190	1,007	464	606	127	243
Respiratory	6,320	2,325	1,756	1,756	549	956	484	293	198
Blood agents	2,790	2,451	674	915	446	118	278	105	84
Musculo-skeletal	2,335	2,511	845	718	455	378	245	86	103
Others	12,513	5,381	3,593	2,825	1,460	1,158	837	369	344
Total	58,266	26,442	16,515	15,116	7,655	6,246	4,767	2,071	1,988
% Change**	10	8	7	6	4	9	11	5	8

Source: IMS International *Non-hospital market only **Increase excluding currencies

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NEWS: THE AMERICAS

South Carolina primary damages Alexander

Dole re-takes lead in nomination race

By Jurek Martin in Savannah, Georgia

For the first time in weeks, Senator Bob Dole is smiling like a front-runner.

A convincing victory in the South Carolina presidential primary on Saturday re-established the Senate majority leader as the favourite for the Republican party's nomination, going into the thick of the primary season and due to start tomorrow here in neighbouring Georgia and in seven other states.

Mr Dole won with 45 per cent of the Republican vote, followed by Mr Pat Buchanan, the conservative pundit, with 29 per cent, Mr Steve Forbes, the millionaire publisher, on 13 per cent and Mr Lamar Alexander, former governor of Tennessee, with 11 per cent.

By carrying the state and its six congressional districts, Mr Dole won all 37 convention delegates and thus vaulted back into the lead in the race for the 996 needed for nomination. He now has 77, ahead of Mr Forbes's 60, Mr Buchanan's 37 and Mr Alexander's 10.

South Carolina probably spelled the beginning of the end for Mr Alexander. A comparable finish in Georgia, where the latest poll in the Atlanta Constitution newspaper puts him a poor third with only 16 per cent, would conclusively disprove his southern regional appeal and leave him without the funding to continue for much longer.

But neither Mr Buchanan nor Mr Forbes is likely to fold his tents. The publisher, who at least matched his modest expectations in South Carolina and has money to burn, can now look forward to what seems more favourable territory, especially in Colorado and five New England states tomorrow, followed on Thursday by New York, where a judge has ordered that his name appear on all ballots.

Mr Buchanan will also continue his crusade all the way to the convention, unless he breaks off in the direction of a third party. But his problem is that he appears unable to exceed the 30 per cent barrier that represents his core right-wing and populist support in the party.

In South Carolina, in spite of strength among religious conservatives, he barely improved on the 26 per cent he took in the 1992 primary against President George Bush. Anything less than the 36 per cent he won four years ago in Georgia would be construed as underlining this minority standing.

Still, Mr Buchanan claimed in Atlanta yesterday that,

Dole: 77 delegates bagged

while it was clear President Bill Clinton would beat Mr Dole in November, the White House was nothing like as "confident" about taking him on. In accusing the majority leader of waging "a shabby campaign", Mr Buchanan gave no hint of second thoughts about continuing.

Mr Dole's victory was attributable to hard work on his behalf by Mr Carroll Campbell, a respected former governor, and Mr David Beasley, his successor and the incumbent. Both argued vehemently that Mr Buchanan's protectionism was a dagger at the heart of South Carolina's new-found prosperity, much of it derived from foreign trade and investment.

The long string of endorsements Mr Dole has nationwide should also prove an asset as the primary season moves beyond the single-state politics of its opening to the multi-state campaigning of the next, vital three weeks.

Tomorrow has already acquired the nickname Junior Tuesday. A week later is to come Super Tuesday, with 12 scattered states voting, including Texas and Florida, the second and fourth largest in the US. March 19 will be the date for four big mid-western states and, on March 26, California is to lead the western parade. By the end of this month, nearly 70 per cent of all convention delegates will have been selected.

As R.W. Apple noted in the New York Times: "With time so short, surrogates will have to do much of the stumping and better-known surrogates generally get a better hearing." The organisations at their command, he went on, can also help get out the vote, possibly "decisive in a small turn-out".

On the other hand, Mr Dole does have some money problems. As a recipient of federal matching funds, he is limited to spending no more than $37m (£24m) on the primaries. He has already disbursed about three quarters of that sum.

The self-financed Mr Forbes has no such constraints, although the $25m or so he has spent so far may come to resemble small change once the expensive media markets of California and New York take hold. But, if he continues to be competitive, he may well dig more deeply into his own pockets, immune to any appeals by the Republican establishment that he withdraw.

Last night, Mr Dole felt confident enough to stay in New England and leave the debating stage in Atlanta, Georgia, to Mr Buchanan, Mr Forbes and Mr Alexander. The senator's state campaign manager explained: "These debates are not a pretty sight any more." But the majority leader looked good enough in the South Carolina beauty contest.

US push for free trade in Americas

By Angus Foster in São Paulo

Mr Warren Christopher, US secretary of state, on his first visit to South America since taking office, has welcomed the region's moves towards democracy and economic reform, and has called for greater efforts towards planning the Free Trade Area of the Americas, due to be in force from 2005.

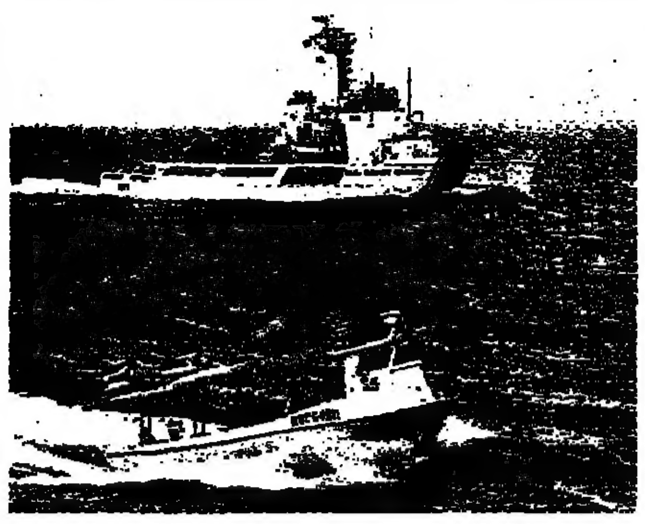
The secretary, who last week visited Chile and Argentina, said Brazil and the US had the opportunity to form a "strategic partnership" to drive the region forward because of their size and the importance of their economies.

In a speech to businessmen in São Paulo, Mr Christopher said momentum must be sustained towards negotiating the FTAA, which some critics say has made little progress since it was launched at the Summit of the Americas in late-1994. He said the US supported a second summit, in late-1997 or early-1998.

Separately, Mr Thomas McLarty, special adviser to President Bill Clinton and travelling with Mr Christopher, said President Fernando Henrique Cardoso of Brazil was "receptive" to the idea of a second summit, although the two sides had not discussed details of its exact timing or location.

Mr Christopher said Mercosur, the customs union of Brazil and three other South American countries, was a valid but "transitional" building block towards economic integration in the region. For the FTAA to come into force, he said, all countries must move forward with genuine negotiations including such new areas government procurement, services and intellectual property rights.

Brazil is a signatory to the FTAA, but the country's trade with Europe is as important as its trade with the US. Brazil also does not want the FTAA to be a US-dominated extension of the North American Free Trade Agreement.



Cuban exiles curtail memorial sea trip

Cuban exiles cut short a weekend memorial service at sea for four comrades killed by Cuban fighter aircraft last month, AP reports from Key West.

Escorted by 11 US Coast Guard cutters, a flotilla of 35 boats left Key West early on Saturday and lurched into waves whipped up by high winds across the Florida Straits. (A cutter and a flotilla boat are pictured left.)

By early afternoon, 21 boats had turned back. The rough seas prevented the 14 remaining vessels from reaching the spot 34km north-west of Havana where the exiles' two aircraft were believed to have crashed after they were shot down by Cuban MiG jets on February 24.

Flotilla leaders had promised to stay well outside the 20km limit of Cuban territorial waters. The planned memorial service was held 70km south of Key West. Exiles dropped flowers and wreaths into the sea, then headed back to Florida.

Mean lawman's intent to save

Christopher Parkes visits a cost-cutting sheriff in Phoenix, Arizona

Sheriff Joe Arpaio from Arizona, who calls himself the meanest lawman in the west, is planning to embellish his old-style jail regime with the modern-day principle of equal rights for women prisoners. Privileges will include accommodation in the city of Phoenix's notorious tent prison and, if they insist, work on the chain-gang.

"I don't believe in discrimination in my jails," he says. Despite the chain gang's reputation, it has proven relatively popular among today's male convicts, who are allowed to choose, when they break rules, 30 days working linked man-to-man and foot-to-foot or close confinement in "lock-down".

Tent City, as the canvas jail reserved for convicted felons is known locally, will be opened for women on April 1. The sheriff has not yet decided whether they should be offered equal chain gang rights but: "There could be a problem if the women *want* to go on the chain gang."

The camp – between a dog pound, a town dump and a waste disposal plant – and sightings of the gangs cleaning streets are the most visible manifestations of the former federal drugs enforcer's fundamentalist strategies at work in cash-strapped Maricopa County, central Arizona.

These have attracted international study by criminologists, civilian volunteers enough for a 2,500-head posse, funds – and attacks by more conventional elected officials dismayed by polls which show Sheriff Arpaio as the most popular politician in Arizona's history.

The 1,000-inmate canvas jail, built of tents from the military, was opened in 1993 where stepping outdoors in summer is advisable "only if you have eight legs and a big hat," said one local.

It was one of Sheriff Arpaio's earliest responses to the budget squeeze. By his estimates, the encampment – lately adorned with a neon Vacancy sign on the watch-tower – cost $80,000 compared with up to $200m for a conventional building.

Other penny-savers include the introduction of boloney sandwich lunches, which save $350,000 a year on hot meals, and removal of coffee from the menu ($100,000). "Why should they have coffee? It doesn't have any calorific value," he says. The same cannot be said for the container-load of surplus batter-coated hot dogs bought lately for the prison pantry.

The search for economies has been given extra impetus by decisions such as the most recent $10m slice off the sheriff's departmental budget, which forced him to reduce his corps of prison guards by 200.

But the difficulties of working on a shoe-string appear to be compensated at least in part by the warm glow Sheriff Arpaio feels from the knowledge that every cent less in his department's bank account is one more reason for making prison life less comfortable. He tells how, on his visits to jail, prisoners used to salute him with "the finger". Nowadays, "they're using two hands, which is great, because I'm known as the meanest sheriff in America and I like that title," he said recently.

"I want to make it so tough that nobody wants to go to jail," he declared. Dedication to his goal of reducing recidivism from 70 per cent to 60 per cent by making imprisonment as unpleasant as possible recently led to his spending a night in Tent City. "There I was in their hotel room lying awake for eight hours listening to them threatening to kill me, my wife and the newspaper reporter with me," he says with detectable satisfaction.

Critics charge that some of the more petty deprivations and humiliations imposed on convicted and remand prisoners alike – such as the ban on smoking and on pornographic magazines, and a prescribed television diet of tapes of Speaker Newt Gingrich enriched with cable access to the Cartoon Network and The Weather Channel – raise tension unnecessarily.

However, there were few complaints about a recent fund-raiser which sprang from the discovery that hard-wearing prison underwear was being smuggled out of county jails and sold as fashion gear on the open market. All inmates' underpants were promptly dyed pink.

A special batch in delicate rose, emblazoned with the inspirational phrase "Go Joe", was sold to raise more than $200,000 for the sheriff's contingency fund.

This, in turn, has been recycled into yet another scheme which, opponents claim, is the most likely yet to lead to the sheriff's downfall. Riding on the success of his resurrection of the civilian posse, and its deployment in pursuit of prostitutes, graffiti artists and pickpockets, Mr Arpaio has now ordered his deputies to dog Phoenix drug pedlars.

Despite warnings from politicians and local police officials, a volunteer corps of 800 has been trained in staffing telephone hot lines, surveillance, house searches, serving arrest warrants and the use of arms.

In the 10 days since the posses were sent out, they have picked up 20 suspects a day on average, several pounds of marijuana, several grammes of cocaine and methamphetamine, and a small armoury of guns.

None of the posses has yet encountered any violence; none has yet blundered into a large deal involving armed-to-the-teeth heavyweights or undercover police.

The sheriff's opponents insist it is only a matter of time before they do – just as it is only a matter of time before the two armed guards in charge of Tent City find themselves, one summer's day, in 120-degree heat, confronting 1,000 angry inmates demanding a cup of coffee.

'I'm not ruling anything in and I'm not ruling anything out,' says Hong Kong governor

Patten ponders return to Commons

By John Kampfner in Hong Kong

Mr Chris Patten, the British governor of Hong Kong, signalled yesterday that he was looking to return to mainstream British politics after overseeing the handover of the colony to Chinese sovereignty next year.

Mr Patten was appointed governor after losing his seat in the British House of Commons in the 1992 general election when he was chairman of the governing Conservative party. He has for some time been seen by more moderate Conservatives as their choice to succeed Mr John Major if they lose the next election, which is due by May next year.

Speaking at Government House in Hong Kong while hosting a visit to the colony by Mr Major, Mr Patten made clear that he would not quit his current job until the transfer date of June 30 next year.

Asked if he could see a return to the Commons after that, Mr Patten replied: "Yes, certainly. I am not ruling anything in and I'm not ruling anything out." He said he did not want to speculate on the result of the British election. "But I remain interested in issues at the centre of the debate in Britain and in Europe. How could I not be? I've been professionally involved in politics since I was 21 years old." Speculation has surrounded the future of Mr Patten, who was credited with masterminding the Conservative victory at the last general election against the odds. His own defeat in his constituency in the west of England city of Bath left a gap in the centre-left of the party that no potential candidate has yet filled.

Go west, young man: John Major (right) and Chris Patten in Hong Kong yesterday

By contrast, several senior figures on the right have staked robust claims to take over after the election, including Mr Michael Portillo, defence secretary, and Mr John Redwood, who resigned from the cabinet last year to fight the prime minister for the party leadership.

Last month the executive of the 1922 committee – the party's senior backbenchers – decided to rule out a further challenge to Mr Major ahead of the general election. That would, in theory, give the party leadership time to find a comparatively safe seat for Mr Patten immediately afterwards.

Despite his heavy involvement in tense negotiations with Beijing over the terms of the transfer of Hong Kong, Mr Patten has given increasing hints of a readiness to return to the Westminster fray.

In one recent speech during a trip to the UK, Mr Patten made a strong call for keeping public sector spending below 40 per cent of gross national product. This was seen as a pitch away from the left of the party to the centre.

He has also let it be known that he has lost enthusiasm for a single European currency, making clear that the foremost priority for the European Union was enlargement.

N Sea oil output expected to rise by 5% to record

By Robert Corzine in London

UK oil production is on track to set a record of 2.71m barrels a day this year, says the annual industry review by Wood Mackenzie, the Edinburgh-based energy consultants.

The forecast figure represents a 5 per cent increase on last year's average output of 2.58m b/d, which in turn amounted to a 3 per cent increase over 1994.

The upward trend in North Sea production is set to continue for some years, says Wood Mackenzie, with output of as much as 3m b/d towards the end of the decade.

It says "new technology, cost-reduction measures and an attractive and stable fiscal regime" are some of the factors behind the growth in oil output. In addition projects in new areas, such as the UK's latest oil province west of the Shetland Islands, are proving to be "relatively successful."

The growth in UK production is part of a general rise in North Sea output. Total production from Norway, the UK, Denmark and the Netherlands this year is expected to average around 6m b/d, a 9 per cent rise over 1995.

The Norwegian government will be the largest producer, accounting for about a third of total North Sea production. Statoil, the Norwegian state oil company, will be the second largest North Sea producer this year, followed by British Petroleum.

The consultants say the expected rise in 1996 production in the UK will be the result of a less extensive offshore maintenance season this year and the start-up of 15 new fields.

Six fields – Douglas, Foinaven, Harding, Lennox, Magnus South and Pelican – are due to begin production in the first half of the year. They will have a combined output of 150,000 b/d.

Row brews over pace of energy reforms

By Robert Corzine in London

Britain's gas and electricity industries are on a collision course over the pace at which competition is being introduced into the two energy sectors.

There are growing concerns that the regional electricity companies may be able to carve out a share of the gas market, which is being opened up first, while retaining the monopolies of supply in their own sectors.

The first test phase of competition in the domestic gas market will begin on April 29 in south-west England, and Sweb, the area's electricity distributor, has already signed up 60,000 British Gas customers.

Both energy markets are due to be fully liberalised by 1998. But regional electricity companies have so far taken few steps to prepare for competition, prompting fears that they "will sit on their hands" and delay liberalisation for as long as possible.

Ms Clare Spottiswoode, director general of Ofgas, the gas industry regulator, said the situation was "gearing up to become a scandal". Ms Spottiswoode was in Plymouth to launch a publicity campaign for the first test phase of gas competition among half a million households in the south-west. No such tests are planned by the electricity companies, and some analysts believe the industry will miss the 1998 deadline.

Mr Stephen Littlechild, the electricity regulator and a supporter of liberalisation, has been criticised by some officials for not showing sufficient leadership. Concern about the uneven progress of the government's plans to give millions of consumers a choice of energy suppliers has been reinforced by Sweb's success in the south-west.

Its performance has encouraged officials keen to see British Gas's monopoly broken. But it has also highlighted the potential for the regional electricity companies to use their monopoly power to gain big shares of the gas market.

Government officials say Sweb's 60,000 gas customers represent a "much bigger figure than thought likely" at this stage of the pilot programme, and place it "way ahead" of British Gas's other competitors.

They say Sweb's performance shows the advantage regional electricity companies will have in entering the domestic gas market thanks to their local knowledge and established infrastructure.

British Gas believes the future success of British Gas Energy, the new consumer-oriented supply arm to be created as a result of the planned demerger of the group, will depend on its ability to offer energy packages of gas and electricity.

Ms Spottiswoode supports that view. "The one saving grace for British Gas was to get into electricity," she said. Other new entrants also want to supply both energy sources to households.

Nestlé joins bid for main rail line

By Charles Batchelor, Transport Correspondent

British Telecommunications and Nestlé, the Swiss foods group, have teamed up with managers of the East Coast InterCity main rail line in their bid for a franchise to run services between London, the north-east of England and Scotland.

The management has signed up Mr Marco Pierre White – the chef who runs a restaurant at London's Hyde Park Hotel – to advise on catering.

Final bids were submitted on Friday for the second set of rail franchises to be offered, comprising Midland Main Line and Gatwick Express, as well as East Coast InterCity. Bids for a fourth franchise, Network SouthCentral, are due in by March 11.

The other bidders for East Coast InterCity are understood to be Stagecoach, the UK bus group; the National Express long-distance bus company; and Sea Containers, the shipping group.

Sea Containers is bidding for a 12-year franchise and plans to improve the quality of customer service. It has been looking at the introduction of tilting trains, enabling faster journey times without costly track work, but is believed to have shelved this idea. The management team plans joint ventures with BT, Nestlé and Shepherd Design & Build – a York-based construction company – if its offer is successful. These companies would not, however, be equity partners in the bid.

Equity partners in the bid are 3i, the largest UK development capital company, and Compagnie Générale d'Entreprise Automobiles, the transport subsidiary of Compagnie Générale des Eaux, the French utility.

Railtrack, the company responsible for railway safety, is preventing the introduction of new trains on Britain's rail network because of the complexity of its approval system, said Mr Roger Salmon, the rail franchising director. Five types of new train are in storage because they are waiting for clearance from Railtrack while older rolling stock, which would not meet today's higher safety standards, continues in use, rail experts said. "No substantial amounts of new rolling stock will be ordered for the UK until manufacturers and financiers are given certainty about the system for obtaining safety approval," Mr Salmon told the Institution of Mechanical Engineers' annual lunch.

Manufacturers needed to know that new train designs would meet the latest safety standards but at present the system was one of "build it first and then – in our own time – we will tell you if we think it is safe," he said.

In a separate development Mr Roger Salmon, franchising director, said that 19 organisations had registered an interest in bidding for two more franchises, South Wales & West and Cardiff Railway. Most were keen to bid for both franchises. Applications had come from big companies in Britain and elsewhere and from management teams.

● Tarmac Construction has bought the Central Track Renewal Company, the third of the national network's infrastructure maintenance companies to be sold. Central, which is based in Birmingham, has annual turnover of £40m ($61m). The value of the deal was not disclosed.

Central is the first of the 13 infrastructure companies which have been put up for sale to go to a trade buyer.

UK NEWS DIGEST

'Stop-loss' dispute to end soon

LLOYD'S LLOYD'S OF LONDON

Lloyd's, the insurance market, is close to resolving a dispute over an important part of its recovery plan. The development comes as Names are this week given first statements on the cost of drawing a line under their Lloyd's affairs. A deal is near on whether "personal stop-loss" insurance policies, taken out by Names to protect against big losses, will help towards the cost of establishing Equitas – a giant reinsurance company that is planned to take over billions of pounds of outstanding US pollution and environment claims.

Equitas should allow Names – individuals whose assets have traditionally supported Lloyd's – to sign a final cheque and quit the market. Lloyd's will on Friday post "indicative statements" on the cost to individual Names of its recovery plan. These will include the Equitas costs and the amounts individuals will receive from a £2.8bn ($4.3bn) settlement offer to lossmaking and litigating Names. On stop-loss, Lloyd's is believed to have persuaded the policies' underwriters to accept a package under which Equitas bills would be covered. Sir Michael Bunbury, chairman of the PSL Policyholders Association, said: "The impression that I get is that they are 'carrot and sticking' the PSL underwriters to go along with their proposals." About 24,000 Names have stop-loss policies, but 80 per cent of the cover was underwritten within Lloyd's.

Ralph Atkins, Insurance Correspondent

Fraud office may hire image consultants

The Serious Fraud Office is considering employing a public relations company to polish its image following a string of high-profile prosecutions which resulted in either acquittals or minor sentences. The SFO said it had held preliminary discussions this month with Profile Corporate Communications, a London-based company which in the past has represented the charity Crime Concern, the Independent Radio Group, and the National Association of Pension Funds. Following personnel changes to its information office during the past 18 months, the SFO is thinking of bringing in the consultants to try to boost its image in the City with a more carefully targeted and streamlined marketing exercise. The SFO faced a renewal of bad publicity in January with the acquittal of all defendants in the Maxwell trial. *Jimmy Burns and Norma Cohen*

Regulator fines Lehman Brothers $122,500

Lehman Brothers, the US investment bank, has been fined £80,000 ($122,500) by the Securities and Futures Authority, the UK financial markets regulator, for poor record-keeping and internal procedures in its dealings with the late publishing magnate Robert Maxwell. An SFA notice is expected to be published today, detailing the results of the investigation it launched two years ago into Lehmans' acceptance of assets from the Maxwell group pension funds as security for loans to two Maxwell-related companies. The fine is only half what the SFA demanded from Goldman Sachs for its dealings with Maxwell, and far smaller than the £750,000 inflicted by the Investment Management Regulatory Organisation on Invesco over its Maxwell involvement.

George Graham, London

Ban on homosexuals wins support in forces

Most members of the armed forces believe that ending the ban on homosexuals in the forces would be bad for discipline and morale, said Mr Michael Portillo, defence secretary. A survey about to be published will recommend keeping the present ban, he added. "People are working in a situation of absolute trust," said Mr Portillo on BBC Television. "They need to know that they can trust one another, and this would create such a complication that the armed forces themselves believe that they could not then retain their fighting power, their trust, their morale." *PA News*

Store owner hits out: A store owner hit a man with a knife who burst into the shop and demanded money from the owner's 16-year-old son. The owner has been told by police that he may face assault charges. The raider ran off to a hospital where he was found to have a fractured skull and a broken arm and ribs. Mr Ken Dunn, the owner of the store near Barnsley in northern England, is a 105 kg former coalminer. He said he had been received many messages of support. "A man threatens my son with a big knife and I am in trouble for having a go at him," he said. "As far as I know the villain still hasn't been charged."

Accountancy Standards board is caught between large power blocks

Swashbuckler storms the gates

By Jim Kelly, Accountancy Correspondent

Ernst & Young, led by its swashbuckling senior partner Mr Nick Land, has stormed the gates of the Accounting Standards Board. An E&Y paper attacked the future direction of UK accounting as laid out in the board's draft Statement of Principles – recently published for consultation. The firm implied that the board had been hijacked by academic theorists bent on revolutionising UK accounting while a largely apathetic financial community looked the other way.

The E&Y paper is the work of Mr Ron Paterson and Mr Allister Wilson – two of the three authors responsible for the UK Generally Accepted Accounting Practice. This tome is the standard work on the subject. Both are partners at E&Y. The firm, under the new leadership of Mr Nick Land, has given itself a name for "rocking the boat".

On the other side of the argument we have the ASB – led by Sir David Tweedie. He has recently accepted a new term as chairman of the board which will take his leadership into the 21st century. Until last Thursday it was difficult to find anyone who thought he was doing a bad job.

The E&Y paper was an attack on what UK accounting might become under Sir David. It alleges that the board is quietly putting in place an agenda to replace historical costs with current values in order to give the balance sheet pre-eminence over the profit-and-loss account, and to chart the wealth of companies from year to year so that accounts can be used as decision-making tools.

But Mr Paterson has said all this many times. What is different this time is that the firm felt the need to make the attack in a highly public way and thereby to criticise the standard-setting process. The argument runs that the board smothers dissent and, abetted by much of the rest of the profession, seeks to keep the standard-setting process at a low temperature. Unless met by overwhelming opposition, their argument goes, it pursues its own agenda.

Those who support E&Y say that generally some more "sunshine" should fall on the standard-setting process. Adverse responses to draft standards could be publicised, for example.

Sir David's defenders would point out that the E&Y paper has fundamental faults. The "private agenda" argument sits awkwardly against the board's latest progress report in which Sir David repeats the objective of financial reporting: "That financial statements should give information for users' decision making."

It is pretty clear from the public record that Sir David thinks accounts should do more than record transactions over the past year. In lauding the virtues of the Operating and Financial Review – the new, and popular, narrative analysis section which the board wants companies to print in the annual report – he says: "This is financial communication rather than mere financial reporting."

A fundamental flaw in the E&Y paper, according to the board's defenders, is its attitude to the wider international scene. E&Y claims that on the one hand the ASB's framework "does not resemble that used in any other country . . ." but later that "it bears some similarities to equivalent frameworks being developed in other countries".

For many this is the heart of the matter. The board's priority is to maintain the UK's influence in the development of international accounting. This is not a secret, but the conclusion of the board's progress report for 1995. This priority has emerged in the recent past and is now the board's guiding star.

Arguably the three most powerful figures in the development of a global code in accounting are Mr Jim Leisenring, deputy chairman of the Financial Accounting Standards Board of the US, Sir Bryan Carsberg, director general of the International Accounting Standards Board, and Sir David. The UK cannot afford to be out of step.

The board is caught between several large power blocks. On the one hand the economic influence of the US dictates a leading role for the Financial Accounting Standards Board. Sir Bryan's growing influence has been fuelled by the backing of the European Union. The planned endorsement of international accounting standards by the world's securities regulators in 1999 will add further weight to what is becoming an unstoppable bandwagon.

The board believes its framework of principles gives it an agenda in step with the other great powers – and in some important respects one which anticipates developments. As future standards will spring from these principles it follows that the UK will often find itself either ahead of, or in line with, developments leading towards harmonisation.

Without harmonisation companies would have to prepare two sets of accounts if they wished to raise overseas capital – analysts would not be able to understand, or possibly even believe, what they read in UK accounts. Second, the more out of step the UK is the less leverage it will have to preserve, if only in part, its own distinctive code.

THIS WEEK

Battle for baguette supremacy

DATELINE

Paris: the French government has moved to prevent the supermarket giants from indulging in predatory pricing, writes **David Buchan**

It is hard to imagine a UK government accusing Tesco, Sainsbury and their like of selling too cheaply, and so tightening its legislation governing the distribution sector so that some supermarkets say they will have to raise prices of their main products by 3 to 8 per cent.

But that is what the French government did last week. It announced it would tighten a 1986 law so as to clamp down on aggressive discounting and redress the balance of power which it claimed had shifted too far towards the large retailers – the *grandes surfaces* – and away from their suppliers and shopkeepers.

It was another sign of the tendency of French governments to regard competition not as a natural state of affairs, but as something requiring regulation and re-regulation.

The tide of complaints against the supermarkets has been rising for some time, but it might never have reached flood level if the supermarkets had stayed out of baguettes.

Frequently using industrially made frozen dough, some supermarkets have been selling baguettes for less than FFr1, or one-sixth of the price charged by many local boulangers. Some 5,000 of the latter took to the streets of Paris last spring to complain.

Last autumn, small shopkeepers in Bordeaux also vented their frustration at high taxes (for which they blamed the government) and declining sales (for which they blamed supermarkets) by smashing up part of the centre of the city, whose mayor happens to be Prime Minister Alain Juppé. President Chirac has always had an open ear to the classic Gaullist constituency of small business and farmers, who feel that supermarkets have depressed prices for their produce.

Indeed, some of the supermarket chains feel they got better treatment from the left, which saw the *grandes surfaces* as generators of jobs that would be filled by people more likely to vote socialist. The presidents of two such chains, Auchan and Promodès, are being investigated for allegedly bribing a socialist on the committee responsible for granting planning permission for new supermarkets.

So, the French state has now done a U-turn. Having once encouraged supermarkets' development in the 1970s and 1980s as part of a counter-inflation strategy, the government is now confident enough of low inflation to allow a change of tack. It is planning tougher definitions of predatory pricing and tougher means to prevent supermarkets indulging in it.

The supermarket chiefs have reacted angrily. Daniel Bernard of Carrefour, who ironically received from the hands of the prime minister the *Nouvel Economiste* magazine's prize of Manager of the Year for 1995, claimed that, unable any longer to pass on special rebates, Carrefour would have to raise the prices of its 500 main products by 3 to 8 per cent.

Of course, bread poses a special problem in France. Not so much because of its place in the French diet, but because the stuff goes stale within a day. This requires daily trips to local boulangeries – many people cannot get to out-of-town hypermarkets that often.

The government ceased regulating the price of bread nearly 20 years ago, but boulangers still have to get permission for their summer holidays from the local *préfet* whose job is to ensure a rota whereby every *quartier* has at least one boulangerie open all year. My local boulangere groans whenever the *préfet* tells her to stay open in the dead month of August.

Yet, in virtually all other products with a longer shelf life, the retail chains have come into their own. These supermarkets have not been forced on the French people, who now buy FFr1,000bn worth of goods from the top 10 distributors. Some of these hypermarkets are colossal – the 1,000 largest average 5,700 sq m. They have diversified internally – Carrefour is the country's biggest seller of micro-computers, while Leclerc claims to be the second biggest seller of books – and externally, by setting up subsidiaries selling lower quality goods at deep discounts.

Naturally, many small shopkeepers have suffered, while the Félix Potin chain of small shops has just gone bust. This long-established chain of some 1,300 shops, mainly in the Paris area, was an interesting attempt to combine the economies of large-scale central purchasing and the friendliness of local corner stores. But recent mismanagement has made its prices anything but friendly.

Almost the only segment of this sector which seems to be growing is the shop run by north African immigrants, shops which stay open all hours. While French law restricts opening hours, it does not apply to the employment of family members, so labour inspectors generally leave well alone.

The success and popularity of French supermarkets is something which their government and smaller rivals are having difficulty coming to terms with. In a similar way, France is finding it hard to credit the foreign fruits of its greater competitiveness. Despite the fact that France's trade surplus has been rising for several years, reaching a record FFr105bn in 1995, many of its citizens are still moaning about *"mondialisation"* of its economy, and its dire effects on them. Some people are never happy...

PEOPLE

Talking softly, and carrying a big chip

Charn Uswachoke has guanxi, writes **Ted Bardacke**

It is surprising to hear a man who speaks so softly talk so big. Yet what Charn Uswachoke, the driving force behind Thailand's Alphatec group of companies, lacks in charisma he makes up for in *guanxi* – connections that make his goal of turning Alphatec into the world's largest semi-conductor manufacturer seem attainable.

Along the way, the 51-year-old Charn is single-handedly yanking Thailand's electronics industry into the upper echelon of high technology: the manufacture of silicon wafers, the raw material needed to assemble computer chips.

Alphatec's 10 companies already control about 10 per cent of the world's semi-conductor market, and with four new plants – including a recent $1.2bn (£700m) joint-venture with Texas Instruments – to come online by 1998, Charn hopes to outpace his Asian rivals and achieve $5bn in turnover by 2000.

Thailand's rapid progress in 10 years from a simple assembly base for consumer electronics to a place that hopes to rival Taiwan and South Korea in chip manufacturing is unlikely to have happened without Charn.

But it almost never happened at all. After 11 years in the US, Charn returned – unemployed – to Thailand. He had no grand vision of building an electronics empire. He returned because his mother called him and told him to do so. "For many years I stay alone, cook for myself, do my own laundry – do everything by myself," says Charn of the 1970s, which he spent bouncing around jobs at several well known US electronics companies after earning his MBA in finance. "I couldn't take it anymore."

In many ways, Charn still operates alone. Working from his modest headquarters in Bangkok – Alphatec occupies only half a floor in a nondescript building slapped on the top of a shopping mall – Charn is neither a hands-on engineer nor a financial wizard.

Instead, knowing both worlds, he specialises in marrying Sino-Thai capital to western technology and expertise. A classic Thai facilitator, Charn is flexible and modern enough to give the Americans who run his businesses freedom to innovate, yet at home with the old ways of Thailand's big Chinese families, who are his backers.

Many of Thailand's high-tech companies, such as Shinawatra, Loxley and TelecomAsia, have used this formula with great success. But Charn has taken it to an extreme. The names on Alphatec's board of directors, such as Wanglee, Boonsoong and Phornprapha, read like a list of Sino-Thais who control important areas of the economy, including banking, finance, car making, property, trading and food.

Yet Alphatec's top dozen executives are all westerners: former colleagues and competitors of Charn. Their resumés spout names such as AT&T, National Semiconductor, Phillips, Cypress Semiconductor, Texas Instruments and Fairchild Semiconductor.

Charn maintains that "this is all for Thailand." The chairwoman of Alphatec, Waree Hawanonda, is a former director of commercial bank supervision at the Bank of Thailand, the most venerable of Thai government bureaucracies. Outside Alphatec factories, Thai flags fly prominently. Royalty lay new corner stones.

Remarkably, Charn, a Sino-Thai, does not come from a prominent family. His birth was not attended by big-time business connections. He had to cultivate them. His first big break was in 1988, when he got an introduction to the Wanglee family, not known for venturing into risky businesses, and used it to take over the Thai operations of Signetics from Dutch Phillips.

"I got an introduction through a friend of mine who was an executive at their bank," he says. "They didn't understand the electronics business well and they also are very conservative. But they looked at me and trusted me and believed in me."

Now unbashful about the informality of Sino-Thai banking relationships, Charn says he describes a project, explains how it will make money – and everyone smiles in agreement. "The details," he says, "are left to other people. They are just a formality. In principle they have agreed to lend to us and in Thailand we keep our word, our promise. Some people might have a problem with the banks but you have to get to know the people at the top level and then it's easy. We do business here from the top down."

Despite concerns that he may be over-extended – debt at the Alphatec group will soon be larger than equity – Charn has always kept his word. Bankers are knocking on his door. Thailand's two largest banks, Bangkok Bank and Krung Thai Bank, along with the government-affiliated Industrial Financial Corporation, each offered to put up the entire $800m Charn needed to finance his portion of the Texas Instruments plant. Charn split the financing equally among the three.

The TI plant will be Alphatec's second wafer production facility. Earlier in 1995, the company broke ground on a $1.5bn fabrication plant, called SubMicron. Two more are on the way. All will be in Alphatechnopolis, Charn's high-tech production and research centre, roughly twice the size of Taiwan's famed Hsinchu science park.


Charn Uswachoke: hopes to outpace his Asian rivals

All this will be added to Alphatec's existing capacity in integrated circuit (IC) manufacturing, packaging and testing; a new IC facility in Shanghai; the telephone equipment assembly business which Alphatec bought from and runs for AT&T; machine tool and plastics support companies; and the former US operations of Indy Electronics and Digital Testing Services – high-value, low-volume assembly, test and research operations in California's Silicon Valley.

Together, these businesses will allow Alphatec to do what no other company can: produce customised chips seamlessly within one operation and cut normal cycle times (of 20 weeks) in half.

Along with the financial doomsayers who do not understand Charn's relationships with the banks, his biggest detractors are those who cite Thailand's chronic shortage of skilled labour as Alphatec's main obstacle. In fact, Charn is using his own experience to solve this problem by recruiting educated Thais like himself who have settled overseas but would like to return.

"There aren't a lot of them, but there are Thais with PhDs working at TI, Motorola, Intel. I say let's recruit them. I am an example for those people about what can happen if they come back. And they want to come back to make it happen in Thailand," he says.

Others criticise Charn for not breaking with the Thai development model, which, because it relies on foreign expertise, is limited in its ability to generate new ideas and products. Charn accepts that the structure he has created is nothing new, but says it has mould-breaking potential.

"We have to go step by step. Ten years ago the industry didn't really exist in Thailand. We don't have the people now. So the first thing is to become a production centre and bring in expatriates. In the longer term, we have to start to work with the schools. Then we can innovate. It can't happen all at once."

Charn wants to make it happen as swiftly as possible.

NAMES IN THE NEWS

PepsiCo trembles on lip of a fresh Enrico era

A change of leadership is a rare event at PepsiCo, the US soft drinks, snacks and fast food group. It has had only two chief executives since it was formed 31 years ago, **reports Richard Tomkins in New York.**

So Wall Street has been pondering the announcement that Roger Enrico is to succeed Wayne Calloway on April 1. Calloway, 60, has a reputation for a steady, low-profile approach, preferring to delegate responsibility. Although the group has grown strongly under his leadership, he has never cut the same dash as, say, Roberto Goizueta, the chairman and chief executive of Coca-Cola.

But Enrico, 51, head of PepsiCo's fast-food restaurant division, is an aggressive, hands-on manager with a flair for innovation and marketing. In the 1980s, when head of the soft drinks division, he took credit for forcing Coca-Cola into its disastrous launch of New Coke – later writing a book, cheekily entitled *The Other Guy Blinked: How Pepsi Won the Cola Wars*.

Enrico then transformed PepsiCo's snacks division into a world sector leader. Most recently, he has made good progress in turning around the troubled restaurant division. Last year, its operating profits jumped 19 per cent to $867m (£563). Predictably, PepsiCo is playing down the prospect of radical strategy changes. But, given Enrico's background, it will be surprising if he can resist taking close interest in PepsiCo's soft drinks business.

Coca-Cola, watch out.

Hostetter and the mass-market heavies

Amos Hostetter, co-founder of Continental Cablevision, has been recognised for 30 years as a rose among the thorns of the US cable TV business, *writes Christopher Parkes in Los Angeles.*

After last week's $10.8bn merger with US West, the regional Baby Bell telephone group, he will be enmeshed in the densest thicket.

From running an independent, tight-knit, 4.2m-subscriber operation with a reputation for socially responsible and prompt service, he is now a prime mover in a network that embraces US West's cable partner, Time Warner, and has close links with Turner Broadcasting System and Tele-Communications Inc.

The unruly grouping – which includes the colourful Ted Turner and TCI chief John Malone who once said he would like to shoot the top telecoms regulator – has cable connections to 30m US homes.

There are striking contrasts between the mass-market heavies and Continental. In New Hampshire, where it leads the market, for example, Continental has provided all schools with free connections to a classroom network cable, allowing more economic use of scarce teaching resources.

The wider cable industry, preparing to compete with the marketing-led telephone carriers, has much to learn from such good citizenship – and also about what Hostetter last week described as "a new world ... a totally competitive communications environment."

Like his competitors, he had seen change coming. "It will take three or five years after a rewrite of the Communications Act for the changes to become clearly apparent," he said last year.

In the event, they became crystal clear last week. The plus side was someone saw value in telephony by cable, said Marc Nathanson of Falcon Cable. And the negative side? "The idols and pioneers of my life are selling out."

Stephanie Flanders · Economics Notebook

Reducing the debt burden

The world's largest industrial democracies will, in the next few weeks, attempt to solve an old-fashioned problem – how to stop the world's poorest economies from slipping even further

The G7 governments must spend the next few weeks deciding whether to help the world's most indebted poor countries help themselves. The Mexican financial crisis put the thrills and spills of emerging markets at the top of the agenda at last year's spring and autumn meetings of the International Monetary Fund and World Bank. But ministers and officials attending the 1996 meetings have a more old-fashioned problem to address: how to stop the world's poorest economies from slipping even further.

Any World Bank economist will tell you that the first step in helping these countries escape poverty is to reverse the bad policies that have blocked their development. Overcoming resistance to this type of sweeping policy reform is hard enough. But, for many, there is a further obstacle to growth: the burden of paying off large amounts of debt, big chunks of it to the same multilateral institutions that have been urging them to reform.

According to the World Bank, 41 of the world's poorest countries have "unsustainably high" external debt. This means that the present value of their total debts to individual donor countries and multilateral institutions is more than 220 per cent of their exports. Between them, these heavily indebted poor countries (HIPCs) owed more than $200bn to outside donors at the end of 1994.

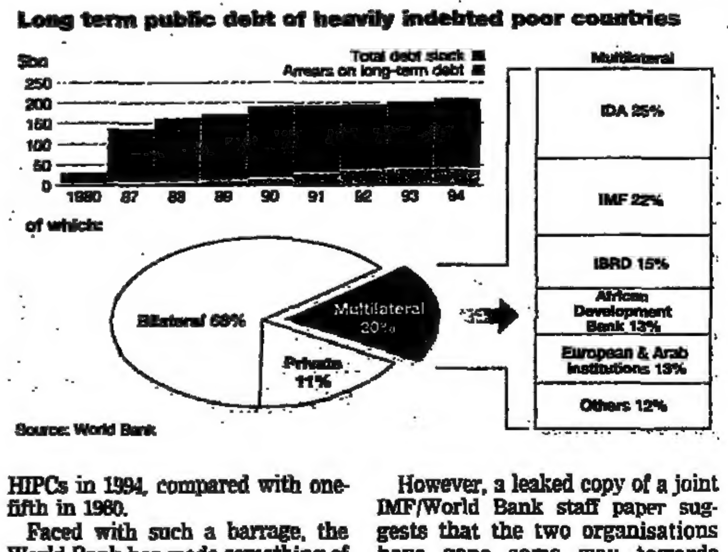
Most observers accept that some of the HIPCs will need special help in reducing their debt burden if economic reform is to be translated into long-term growth. The disagreement is on the details: which countries need extra support, who should provide this and how.

The Bretton Woods institutions, particularly the IMF, have traditionally argued that the debt burden, as opposed to poor economic policy-making, is a serious obstacle to growth in only a few countries. They have also claimed that any measures of debt forgiveness should start and end with the bilateral donors. Not only are the latter responsible for two-thirds of the total debt, but, unlike the bank and the fund, it is likely they can write off large chunks of these obligations without compromising their positions in international financial markets.

These arguments have taken a battering in recent years from pressure groups such as Oxfam. First, the critics pointed out that having a large stock of debt could have long-term costs over and above the direct financial burden of servicing it. Foreign investors shun a poor country because of fear of future debt crises; domestic investment is held back because companies believe that the proceeds will be taxed to pay back foreign creditors; and scarce administrative resources and talent are diverted from domestic policy priorities in a continual round of re-financing and rescheduling negotiations with foreign donors.

Second, critics noted that donor governments had made some modest efforts to lessen their part of the "debt overhang", in a series of agreements reached under the auspices of the Paris Club. Donors have resented the fact that the World Bank and the IMF, as "preferred creditors", often seem to be the true beneficiaries of bilateral debt forgiveness. Multilateral debt accounted for around one-half of the debt service payments made by HIPCs in 1994, compared with one-fifth in 1980.

Long term public debt of heavily indebted poor countries



Source: World Bank

Faced with such a barrage, the World Bank has made something of a strategic retreat, although it has had a difficult time persuading the IMF to go along with it. Last year an internal bank memo admitted that up to 23 of the 41 HIPCs could face difficulties reducing their debt to manageable levels, even given highly optimistic forecasts for economic growth.

The authors' suggested solution was to use a mixture of bilateral and multilateral funds to create a new "multilateral debt facility" which would help these countries pay off the unsustainable portion of their multilateral debt.

This idea did not go down too well with several member governments, or with many at the IMF. The latter said privately that four countries, at most, faced a serious problem, and even these would be better helped by using more traditional methods of re-financing.

However, a leaked copy of a joint IMF/World Bank staff paper suggests that the two organisations have gone some way towards resolving some, if not all, of their differences over the extent of the problem. Officials are now pondering proposed solutions for debate next month in Washington.

The new paper states that around eight of the 41 HIPCs cannot be expected to achieve sustainable debt burdens in less than 10 years, even on the heroic assumption that all anticipated economic policy reforms, export growth and re-scheduling of bilateral debts take place.

A further 12 or so countries are defined as "possibly stressed", in that they cannot be expected to reach sustainable levels of debt in less than five years.

Oxfam argues that both institutions, particularly the IMF, are carefully minimising the problem so at to avoid having to find large sums of money for a solution. But, for the moment at least, it is not clear that a solution is going to be offered to any country. In principle, the IMF has agreed to the idea of selling off a chunk of its gold reserves to make its soft loan arm, the Enhanced Structural Adjustment Facility, a permanent facility which could be used to help countries re-finance their IMF debts.

For its part the World Bank has no similar pot of gold, but many insiders admit that its reserve requirements and provisions for bad loans are excessive. So it, too, could probably come up with significant amounts of money for specific, debt-alleviating measures.

The problem is that this "extra" money could be used to help other desperate countries. Several of the largest shareholders of the bank and IMF are unconvinced that writing off the debts of a few countries ought to take precedence over other claims on scarce aid funds.

Why, they argue, should they reward countries that have so mismanaged their affairs they cannot repay the softest of loans, when the same money could be spent supporting the good behaviour of other, equally needy, countries?

There is no simple answer to that question, except to re-state that the countries concerned are among the world's poorest. One possibility would involve granting debt forgiveness-cum-refinancing for good behaviour. This would echo the IMF's approach in such countries as Zambia and Peru, which have been able to build up eligibility for official debt re-scheduling in exchange for having complied with specific IMF policy demands. To forgive debt in this way would lift the extra debt penalty that now hangs over these countries.

Peter Aspden finds today's leaders are encouraged to learn elusive arts rather than scientific skills

The new manager, boldly going…

Managing a business used to be a straightforward affair. But today's practitioners are under assault from psychologists, philosophers and a variety of other unlikely gurus.

The latest in a series of bewildering books about how to succeed in life and business takes its cue from the late 23rd century. *Make It So: Leadership Lessons from Star Trek* purports to be a first-hand memoir of the adventures of Jean-Luc Picard, captain of the USS Enterprise. It is mildly entertaining and wildly improbable.

But it is also meant to be a serious text on leadership. "While the past affords us the opportunity to learn many useful lessons… we can also gain insight for today by giving some thoughtful consideration as to what lies ahead for us," pontificate the authors, Wess Roberts and Bill Ross. And what better insight than to imagine life on board a spaceship with an android, a Klingon and assorted interplanetary misfits?

If you are taking it all too seriously, you need *How to Make Work Fun*, David Firth's racy collection of tips on how to bring a smile to your work-station. "Disclaimer: There are two lies in this book. This is one of them," he starts winningly. And then some serious fun. Firth urges us to steal pencil sharpeners ("ultimately futile, but strangely satisfying"), Blu-tack graffiti to the toilet walls, and take Polaroids of colleagues "that show just how silly they look when they are concentrating hard". All this to support his core ideas: "Work is crazy; work is scary; work should also be fun".

Then from the world of sport there is Will Carling, England rugby captain, favourite of the gossip-columnists and, now, self-styled management guru. Carling's recipe – as he extrapolates lessons for top managers from his experiences on the field in his book and tape, *The Way to Win: Strategies for Success in Business and Sport* – is always have a vision, and you will win in business just as in sport.

As the above examples show, the idea of management as a set of learnable, scientific skills is less pervasive in the eclectic, intellectual climate of the 1990s. Management books and courses are proliferating, each offering its ostensibly unique – and sometimes bizarre – insight into the elusive arts of business and commerce.

But if managers of the 1990s have never been offered such a rich – and eccentric – diversity of theories, the question remains as to whether they are any use.

George Bain, principal of the London Business School, has observed the trend taking root in academic circles: "The management field is characterised by fashions, which have different lifecycles. When management education got going in the mid-1960s, it was seen as a science with testable hypotheses. Now it is seen much more as an art. There is an emphasis on the 'softer' skills, or what people call the 'touchy, feely' stuff."

Although Bain resists the suggestion that soft skills are a soft option – "you could argue it is more difficult to teach people how to become good communicators or how to improve their inter-personal skills" – the changing view of management has allowed any and every theory to flourish.

Today's management gurus stress the challenges posed by a rapidly changing world and people's ability to respond to it. Flux, flexibility, creativity are the new buzzwords; there is little room for the quiet accumulation of technique which used to characterise the subject. "Traditional business strategy used to be all about how to position yourself in the market. Now it is about action, about being able to cope with whatever the world throws at you," says Bain. Many best-selling management authors tap into this feeling of uncertainty to produce their flighty remedies. Tom Peters, warming to his theme in his *Liberation Management: Necessary Disorganisation for the Nanosecond Nineties*, writes: "If you don't feel crazy, you're not in touch with the times! The point is vital. These are nutty times. Nutty organisations, nutty people, capable of dealing with the fast, fleeting, fickle are a requisite for survival… If the marketplace has 'turned ephemeral' on us… then we must turn ephemeral, too."

Peters and his fellow ephemerals borrow liberally from current affairs (Francis Fukuyama's "end of history" thesis), science (chaos theory and fuzzy logic), philosophy (the displacement of "truth" implied by post-modernism) and even feminism (the championing of "soft", intuitive skills over cold, intractable logic).

The result is to portray an unconfident world in which confusion reigns. What, therefore, is the point of teaching skills and techniques that could be redundant tomorrow? Better to reform your personality (more borrowing here, this time from the vocabulary of psycho-analysis and self-improvement) to enable you to deal with the ever-changing demands of the new world.

Even if you avoid the new wave of literature because you find it puzzling, you may be sent on a management course by your employer. Courses, too, were traditionally conceived as a supplement to add new skills. Nowadays, you could find yourself crawling on a carpet building Lego bridges; assembling a tent while blindfolded; being woken unexpectedly at 6am and asked to compete in an outdoor pursuit.

Alan Howard, a chartered psychologist for CPCR, a management training company, says unusual outdoor exercises can help people who work together to see things in a fresh way. "They are partly bonding exercises, partly a chance to discuss real business issues at the same level and free of interruptions," he says.

But even at the most intense level of management training – the full-time MBA – things are changing. Here one finds a more considered, but no less radical, re-evaluation of what it is to be a business manager in the late 1990s.

Eric Briys was appointed dean of the MBA programme at France's prestigious HEC School of Management in 1992. He set up a syllabus that included sessions on art and philosophy. Now, managers are given lectures on medieval painting from specialists in the Louvre. They have the option – taken up by all participants this year – of spending four days in a Benedictine monastery to discuss business ethics with the monks and a senior executive.

Briys says: "I was worried about the traditional approach to business ethics – here is a dilemma, here is a solution, just like any other business decision. And a business school is hardly a neutral place." So he set up the monastery retreat with the help of two monks who were HEC alumni.

He believes the true education of business people must be as broad as possible. "We take people whose average age is 29, who already have professional experience; they may have a family, and they are breaking their careers for 16 months, which is a big step. So our aim is to give them ideas from fields that apparently have nothing to do with management."

He does not believe this represents a retreat into gobbledygook or intellectual faddism; rather the reverse. "We always aim to take a long-term view. By introducing environmental, ecological, ethical dimensions, we want to train the students to understand what the marginal cost of *anything* is to mankind.

"If business people are going to make important decisions about the future, they need a cross-sectional view. Then, they can do what they like – that is politics. But they must have no way of saying: 'I did not know'. We are trying to make people more responsible."

This more reflective, philosophical approach to management education is gaining currency even among the notoriously pragmatic British. Brian Baxter is director of Kiddy and Partners, a London firm of corporate psychologists whose clients include American Express, Hasbro International, Bass and the Automobile Association. His courses unashamedly espouse a "post-modern" view of management: that you have to deal with a world in which traditional beliefs are fragmented, there are a plurality of voices and, consequently, multiple approaches to strategy.

Baxter eschews simplistic notions such as Carling's sports metaphor for business success. He says managing people in business today more closely resembles the mounting of a theatre production: "People come together in short bursts, and then go away. It is a much more fluid notion than the old idea of the manager-coach in charge of a happy team, which makes many assumptions about the capitalist work-ethic."

He also lectures his clients on the famously difficult French philosopher Jacques Derrida, whose emphasis on "deconstructing" meaning has found many followers in fashionable parts of the academic world but few, as yet, in boardrooms.

But Baxter says his clients are fascinated rather than frightened by Derrida's ideas: "It is all about exploring areas at work which are not normally legitimised. It is helping an organisation realise that you cannot just impose male, Wasp (white, Anglo-Saxon Protestant) values in all your business dealings, for example. It is not just political correctness, it is about how to allow other values to emerge.

"Businessmen and women have a very practical reaction: if this is post-modernism at work, then we could do with more of it. They come to understand that we are not actually uncovering meaning in the world but we are *making* meaning in a messy, turbulent environment."

But there are those who remain sceptical. Clive Fletcher, head of psychology at Goldsmiths College, London, sees the flourishing of extravagant theories, as evidence of the insecurity felt by today's business world.

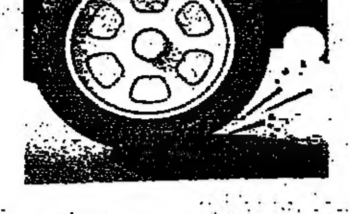
"There has been savage social and economic pressure over recent years. Many managers are now doing the jobs of two or three people. There is a desperate search for something to hold on to, a way of making sense of the world. But there is not going to be a single management style for the year 2000. There is no simple answer.

"There is emphasis on innovation, but people only innovate from a basis of psychological security. There is lip-service paid to the 'long-term view' but all the pressures are *against* strategic and visionary thinking. Businesses still have to live in a world interested in immediate results.

"There is a big gap between what is being said and what can be done."

And what about those self-help manuals, the surging prose encouraging us to shed our anxieties and embrace the new world with a vigour we scarcely knew we possessed, the cerebral attempts to impart us with a new-found wisdom?

Fletcher is unimpressed. "Everyone in training and development has a vested interest in saying: 'Yes, you *can* re-invent yourself'. But the evidence is that, beyond the age of 25, your core personality attributes remain remarkably similar. We simply do not change and develop as much as we would like to think."



FAST TRACK

TecnoLogistica

When two Italian venture capitalists set about building a warehouse and distribution company they decided to think big. They suspected that volume would bring rewards in Italy's fragmented and under-developed market for integrated logistics services.

Fabio Sattin's Chase-Gemina Italia Directional Fund and Paolo Colonna's Schroder Venture Holdings set up a holding company called GLE in early 1992 after buying Astra and SLI, two warehousing companies in the Milan area. By the end of last year their group, renamed TecnoLogistica, comprised 26 companies and had become Italy's leading contract logistics company with a quarter of the outsourcing market and estimated 1995 turnover of L500bn (£210m).

TecnoLogistica believes that in winning warehouse and distribution business from large retailers in service industries it has barely scratched the surface and is aiming at 15 per cent growth in sales a year.

"We wanted to find an interesting market and approach it in a creative way," says Sattin. "The logistics sector was growing and companies wanted to contract out so as to concentrate on core activities."

Pirelli, the tyres and cables manufacturer, did this in December 1992 by selling to the newly established TecnoLogistica its Fintrasporta logistics activities and by taking a third of the equity.

At this point Alessandro Degiorgi, aged 55, was recruited as chairman from a subsidiary Pirelli was selling in Germany. "Two things attracted me – creating one company out of many with varied control systems and convincing customers to outsource."

Last June, TecnoLogistica, based at San Giuliano Milanese on the outskirts of Milan, notched up its 26th scalp by taking 51 per cent control of Domenichelli, a trucks company with the receivers. Sales grew from L273bn in 1993 to L391bn in 1994 with about 60 per cent of the growth generated by acquisitions and the rest from new clients. The same pattern was repeated in 1995 but Degiorgi expects new orders to lead the way shortly.

TecnoLogistica estimates that 30 per cent of logistics services in the UK are contracted out, compared with only 12 per cent in Italy. "Companies are too small to offer what customers need in terms of adequate insurance, security and information on the flow of goods," says Degiorgi. "It sounds illogical but I should welcome a big competitor to create more demand."

Multinationals are not tempted to cover the whole of Italy because demand is concentrated north of Florence. Degiorgi estimates Italy's outsourcing market in logistics will grow from the current L2,000bn to L5,000bn over the next five years. He is targeting big retailers whose warehouses, he says, are too numerous and too small and who could save about 20 per cent of costs by outsourcing.

Degiorgi wants to add a dry foods division to an armoury that is strong in electronics and especially healthy in the automotive industry which accounts for a third of turnover. He expects further acquisitions and a gradual merger of subsidiaries to prepare TecnoLogistica for a stock market listing within three or four years.

John Simkins

Exercised by etiquette in the gym

Lucy Kellaway

It was first thing in the morning and I was not looking my best. I was wearing a perished swimming costume and my hair was squeezed into a tight red cap. A few feet away was one of the FT's most respected columnists. He was not looking his best, either. "Hello", I said averting my eyes from his tiny swimming trunks and from his belly which was sticking out over the top of them.

Most people can cope with their colleagues in the familiar surroundings of the office. Men and women and seniors and juniors have all learnt how to exchange pleasantries by the coffee machine. But put the same people in the gym, take their clothes off, bathe them in sweat and it is a different story altogether.

The gym presents a serious problem of workplace etiquette. Many big companies – such as the FT – have corporate memberships at local sports clubs, while others have gyms of their own. Gyms are peculiarly egalitarian places: you are just as likely to find yourself next to the chief executive on the step machine as to the office messenger.

The usual hierarchy is gone, but in its place is an alternative one in which the fit lord it over those who look close to a coronary after two minutes on the exercise bike. It is all thoroughly embarrassing. What are you meant to do when you see your boss purple in the face, sweating away on the treadmill? Ignore him, or bounce up and say Hi!

For swimmers there is a salvation. At least half the people in the pool are partially sighted – either because their goggles have steamed up or because they have left their glasses by the side – so it is quite acceptable for the other half to pretend to be blind too.

In the gym (or so I am told by acquaintances who use it) the problem is worse, especially for women. Most women's gym clothes are entirely unsuitable: what is the point of going to all that trouble to dress professionally at work if you are then to parade yourself in scanty crimson Spandex?

Then there is the difficulty of choosing suitable reading matter to pass the time as you work away on the machines. Is it all right to be spotted reading Hello! if your colleagues seem to be diligently swotting up on a report or reading the FT?

The gym also introduces an unwelcome new area of competition into office life. Beware those colleagues who surreptitiously race you in the swimming pool, or who gloat over the fact that you are only on stage one of the Stairmaster.

One answer is to stop going to the gym. Failing that, keep your eyes straight ahead of you, think of Princess Diana and be thankful for small mercies. At least no one is trying to take your picture.

I am pleased to read that post the Scott inquiry into military equipment exports to Iraq, an extra dimension has been added to the whistleblower's parliamentary bill. Those who rat on their colleagues will be protected from victimisation so long as their disclosure is in the public interest.

It would be nice if the bill could be further amended to make it apply to the home as well as the office. My husband has done something which I cannot condone, that is clearly against the public interest and may also be in contravention of local regulations.

He has installed an enormous silver satellite dish on the back of our house. He has offended against every management technique in the book: there was no consultation, let alone any attempt to reach a consensus. No meetings, no nothing. After the event there was no grievance procedure, no mechanism for dealing with complaints.

Reluctantly, I am forced to blow the whistle on him. If anyone is reading this in the conservation department at the local town hall, take note: *the dish is visible from the street*. Now I need protection. He is threatening retaliation, but so far all he has come up with is an illegal bonfire I had in the garden.

Last Thursday (February 29) we all worked for nothing. Luckily this demoralising thought did not occur to me until the end of the day when I saw a fax from the union MSF urging all employers to give the £880 they had allegedly saved to a national training fund.

Why is it that labour has not managed to get an extra return on leap day? Capital has done it: the banks are charging interest for 366 days this year. If I were a member of MSF I would rather that my union dropped its fanciful suggestions and went back to the old fashioned – though in this case justified – task of getting more money for the workers.

ABB AB. ABB AG. These configurations of letters are the new names that have been chosen for respectively Asea and Brown Boveri. I could have sworn that they were two more of those tantalising brain teaser sequences that we have been running in our Mastering Management series on Fridays.

MIT business students are learning how to deal in stocks and shares, says Victoria Griffith

Trading floor lessons

It's Thursday night, and the *Massachusetts* Institute of Technology's (MIT's) MBA students are hard at work on the trading floor. Traders shout across desks and speak in hurried tones into their telephone handsets while stock prices from Far East markets flash on the computer screens.

The students are not moonlighting as after-hours Wall Street dealers. The facility they are using is the new $3m (£1.9m) trading floor at MIT's Sloan School of Management.

"The trading floor gives students the chance to test trading strategies, or just get a feeling for what a trading floor is like," says Jamie Raboy, a dealing room regular. "It will give us a real leg-up when we start working on Wall Street."

The Sloan School has just completed the facility, which includes the latest in trading software. Except for an area set aside at the front of the room for a lecturing professor, the space looks and feels like any modern trading room.

On one wall, glowing green symbols from both the New York Stock Exchange and Nasdaq race across a board. Another wall has a row of clocks recording times in London, Tokyo and Cambridge, Massachusetts. Computers are hooked up to live feeds for price and volume data on 300,000 financial instruments in 29 markets. Each of the room's 23 desks has access to a Pentium computer and 25 telephone lines.

"There are a couple of other simulated trading floors at MBA schools in the US, but this is by far the most sophisticated, and the only one with a live feed," says Paul Asquith, senior associate dean at the school. "We have everything a top Wall Street firm has, and in some cases, we're even more state-of-the-art."

The space was designed by Dyer-Brown & Associates, architects who have built similar facilities for financial firms around the world. The room was pulled together through equipment donated by suppliers, says Asquith. "I drew the line at cherry [wood] desks, though. After all, these are students. We thought Formica would do."

The Sloan School hopes the trading floor will strengthen the ties between the financial markets and academia. To answer questions about how markets work, academics have in the past had to rely on financial firms to furnish the relevant information.

Theories on how fast traders react to news for example, could only be tested after researchers obtained data from the exchanges. The live feed in the MIT trading room means theories can be tested far more quickly with first-hand data.

The ability to test trading theories is key for MIT students, many of whom are destined for the financial markets. The Sloan School has become known as a gold mine of students armed with sophisticated new trading strategies.

Besides using the room to test esoteric trading techniques, students say the floor gives them some practical experience that will be valuable during summer work in commercial organisations and after graduation. "Just being able to pull up the pages you need on Reuters will impress employers," says Raboy. According to Asquith, a number of Wall Street firms are already talking about visiting the trading floor to see what the students are working on.

Scientists from other parts of MIT will also be able to test trading theories through the facility, and it will be used by students specialising in other areas of business such as corporate finance.

Craig MacCormack

Students at MIT practise for the days when they are Wall Street traders

NEWS FROM CAMPUS

Schools vie for multinationals

Multinational companies which want to employ MBA graduates look equally to European schools and US ones, according to a breakdown of figures from the latest MBA Career Guide.

According to the publication, the business school most often targeted by international recruiters is Insead in France. Wharton and Harvard are ranked second and third, followed by London Business School, IMD in Lausanne, Chicago, Stanford, Rotterdam, the Massachusetts Institute of Technology and IESE in Barcelona. The research was based on a survey of nearly 200 companies which recruit in two or more continents.
MBA Guide: UK, (0)171 284 4697

Gifts galore from Chicago to UK

The graduate school of business at the University of Chicago has received its largest gift – a $15m (£9.7m) donation from former MBA student Eric Gleacher.

Gleacher, whose investment bank was acquired in 1995 by the UK's National Westminster Bank, is now chairman of NatWest's commercial and investment banking operations in North America. The challenge grant will match donations given by other alumni up to the $15m ceiling.

The school has named one of its city centre buildings the Gleacher Centre.
University of Chicago: US. 312 702 9232

● In the UK, two Manchester universities are being funded to the tune of £1m by United Utilities, the gas, electricity and water company. The company will fund a chair of quality management at Umist's Manchester School of Management and a chair in Water Resources at the University of Salford.
United Utilities: UK, (0)171 976 7775

Managers positive over career prospects

Managers are having to do more work with fewer resources, according to the latest findings on management development from the Ashridge Management Research Group. But this is a more positive attitude than previously when managers' main concern was survival, says the report's authors.

The Research Group surveyed 563 managers from Europe and south-east Asia, all of whom had previously attended Ashridge open courses.

According to the report, to be published this month, 76 per cent of managers said that their organisation supported their development. Forty-nine per cent said that their organisations were concerned to marry the needs of the business with that of the manager.
Ashridge: UK, (0)1442 843491

Financial wizards for Oxford and Paris

Oxford University's school of management studies has appointed a deputy director to take special responsibility for executive education. Rory Knight is presently dean and fellow in finance at Templeton College in Oxford.
School of management studies, Oxford: UK. (0)1865 228480

● The University of Pennsylvania's Wharton School has announced the appointment of director for its European office based in Paris. She is Isabelle Cegiel, a banking specialist and former consultant.
Wharton: France, 1 4747 6335

SPORT / ARCHITECTURE

Showjumping's fall from grace

Keith Wheatley finds sponsors following a departed TV audience

The British Show Jumping Association has just published its list of owners' winnings for 1995. Everest, a company that has dominated showjumping in Britain for nearly 30 years, was in eighth place with £67,502.

That doesn't sound like much money, and obviously the same thought occurred in Everest's boardroom, for it has now ended its sponsorship of a sport that seems to be in rapid decline in Britain.

Top of the earnings list was Michael Whitaker, with £232,648. That *sounds* a fair amount of money, but looks less if you study the earnings figures in other sports.

Two good tournament performances on the European tour would net a golfer that kind of sum, and he only travels with a caddy. An international showjump rider must take to the road with a vast lorry, a string of horses eating their heads off, and several grooms.

Top showjumping stars Michael Whitaker and his brother, John, as well as David Broome, have recently lamented the sad reality that, to stay solvent, a British rider must now spend the biggest part of the season competing in continental Europe.

Everest obviously took a hard look at showjumping's visibility in Britain – and didn't like what it saw. For a company that needs large audiences to sell a lot of double-glazing, it no longer made sense to spend millions each year on a promotional vehicle that was ceasing to function.

"In the heyday of showjumping on the Beeb [BBC], they were selling so much product through that exposure that they didn't need to advertise on commercial television," says a source at the British Show Jumping Association.

With last week's death of legendary showjumping heroine Pat Smythe, Everest's decision may mark something of a watershed in the country that practically created showjumping as a professional sport.

"[Everest] has been a fantastic sponsor, and I'll be so sorry to see them go," said John Whitaker when the news broke. He was an Everest rider, along with brother Michael and Nick Skelton. The biggest worry for sponsors is the decreasing amount of broadcast time given to showjumping. The Horse of the Year show no longer has millions glued to their TV sets.

Indeed, the remaining fans are becoming vociferous. The letters page of the latest edition of the magazine *British Horse*, sent to 66,000 members of the British Horse Society, contains an anguished plea from a Midlands reader asking the BHS to intercede with the BBC and get more horse sports back on television.

"First it was Horse of the Year Show, then less and less racing coverage, and now Olympia. I am worried that Badminton and Burghley [horse trials] will be next," wrote Karen Wright of Kings Norton. Last year's annual pre-Christmas show at Olympia in London had the strongest international field of competitors for some years, and was a sell-out in the grandstands, but the cameras stayed away.

In its defence the BBC replied tellingly: "One important factor we must bear in mind is that viewing figures for showjumping and programmes like the Horse of the Year Show have been falling for a long time now. If an event no longer receives support from the viewing public, we have to look very carefully at whether it can command such a high priority in our schedules."

Flicking through *One Jump Ahead*, an autobiography Pat Smythe wrote in 1956, one is struck by how BBC television made enormous efforts to get footage of Smythe and her horse Flanagan at the Stockholm Olympic games. In terms of media stardom, she was the Sally Gunnell of an earlier generation, but it is hard to imagine a contemporary rider enjoying such renown.

Not since the pugnacious Harvey Smith has there been a rider of such fame. Of course, the popularity of various sports on television fluctuates. A decade ago, snooker clocked up massive ratings, but has since slumped. Yet that, too, reflects malaise. Young men now seem to opt for the smaller and simpler pool table.

This is certainly not the case with equestrian sports generally. Whether one looks at busy pony club gymkhanas or the magazine racks at W. H. Smith, there is plenty of evidence that horsey activities have never been more popular. The problem may be TV's boredom with the traditional showjumping offering: a single horse racing the clock inside an arena.

Radicals such as Peter Lewis, a Kent breeder of showjumpers and dressage horses, believe that showjumping's format is dull and stale. He makes the point that if Linford Christie and other sprinters were to run alone down a track and have their times compared in order to find a winner, the 100 metre sprint would not be the blue-ribbon event of international athletics.

Lewis has formed a company, called Revolution Show Jumping, to promote a new form of competition. Two horses enter the arena together and then peel off to either side to jump an identical sequence of electronically controlled jumps, before coming back together to race down the centre lane to a chequered-flag finish.

Traditionalist opponents of the scheme have sneered at it as "Gladiators on horseback" – a reference to the coarse, juvenile, but hugely popular TV show that dominates the ratings both in Britain and the US.

"If any horse event could get *half* the audience of *Gladiators*, then as a sport we wouldn't be in this mess," says Lewis, who has sold his farm in order to invest £100,000 in Revolution Show Jumping.

He says: "I know the traditionalists in the equestrian hierarchy will oppose it. That's why I'm ignoring them and going out and talking to television producers in Japan and Germany, where they seem to be interested."

John Whitaker on Milton: television is a paradise lost for showjumping

Cambridge gains an inspired library

Simplicity and use of natural light enhance the addition to Jesus College, writes **Colin Amery**

Some of the greatest rooms of the world are libraries. You only need think of the library by Sir Christopher Wren at Trinity College, Cambridge; or the Codrington Library at All Soul's College, Oxford, by Nicholas Hawksmoor to be transported into rooms of such dignity and refinement they seem to imply intellectual discipline as well as architectural order.

The Long Room at Trinity College, Dublin, sends the mind on a perambulation among volumes and columns designed to inspire elegant and elevated thoughts. In these early libraries there are always human presences, albeit in marble: ducal benefactors gain from their association with solemn busts of Plato, Anacreon and Isaac Newton.

Today, no busts look down in the newer libraries in the older universities – but colleges still aspire to make their new libraries rooms of immense distinction.

Cambridge colleges, untouched by recession, continue to build for books as well as students. Newnham has added a vaulted room for rare books by Joanna Van Heyningen. St John's acquired new library space in a highly sensitive spot opposite the chapel where Edward Cullinan designed a successful and pleasing building. In the 1960s, Chamberlin Powell and Bon made a splendid vaulted library for their brand new college of New Hall.

Last week, Jesus College showed to the world its new college library – a competition-winning design by the architects Evans and Shalev. The college dates from 1496, when Bishop Alcock of Ely appropriated the Benedictine nunnery of St Radegund.

It has a remarkably spacious site and during 500 years has grown around its chapel and cloisters while keeping a sense of amplitude. Where to site the new library was a delicate decision, but the college had the courage to build new at its very heart – in the shadow of the chapel and facing the Master's garden.

The plan is that in time the library will be part of a new court with 60 residential rooms and music and conference facilities.

The competition was held in November 1991 and the original eight entrants were reduced to two firms paid to proceed to the final phase. These were Evans and Shalev and Edward Cullinan and Partners. Winners Evans and Shalev began construction in September 1993. The library was ready in two years.

Evans and Shalev are a successful practice. They have recently created two of the most successful smaller public buildings – the Truro Law Courts and the Tate Gallery of the West at Saint Ives. These have much in common with the library at Jesus College. The planning of the law courts, with ramped circular waiting areas and intelligent mixture of public and secure space, makes for a highly accessible but contemporary building. The library has just those qualities.

> Jesus College library – it has an atmosphere of quiet contemplation

The brief required space for 125 readers and 40,000 books. *Computer terminals and electronic technology* were assumed. As in the older, agreeable college libraries, the decision was to have room for reading among the books. That ruled out stacks and readers confined to the perimeter. The competition rules were that scale, mass and materials should relate closely to the existing college.

The architects chose as their source and inspiration the buildings that were added in the 1920s and 1930s by the architect Morely Horder. The underrated Horder worked on private houses as well as commercial or public buildings.

His simple Tudorish buildings at Jesus work beautifully and bridge some awkward gaps. Indeed, they inspired the new library in scale and materials. Horder used Tudor light coloured bricks and stone and plenty of oak. Evans and Shalev responded by using the same brick for the library, with Cornish slate for the roof and French limestone.

But there is nothing Tudor about the style of the library. Its success lies in the highly controlled plan. In construction it is a simple steel structure with some load-bearing masonry. That accounts for the incredible cheapness of the building.

The library cost only £2.1m ($3.2m), including lavender blue carpet and all purpose-made furniture of elegant stained American ash. The college must be proud of such a sympathetic addition at such a reasonable price. It also fits brilliantly with the Horder Chapel Court buildings. You enter via a rotunda and take the stairs to the first floor reading room. The circulation works well. But the giant arched windows are slightly mannered. They allow ample light into the library but do not quite belong.

This is a highly pleasing new library for the undergraduates. It has an atmosphere conducive to contemplation, quiet and cool in its palette, using as *much natural daylight as possible*.

Evans and Shalev make the plans of their buildings work well. Within a tight budget they have produced double height spaces and a rotunda and reading space that is inspirational. This quiet, very English extension to the ancient college is already much appreciated.

It is a tranquil and modest triumph.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool selling price £/MWh
0030	9.68	9.16	9.16
0100	13.64	31.26	34.21
0130	13.64	47.77	50.72
0200	13.64	47.77	50.72
0230	13.64	47.77	50.72
0300	13.64	32.18	35.13
0330	8.94	14.83	17.78
0400	8.94	14.83	17.78
0430	8.94	13.47	16.41
0500	9.08	12.68	15.62
0530	9.01	27.54	30.48
0600	9.01	27.54	30.48
0630	9.07	25.32	28.27
0700	9.01	25.32	28.27
0730	9.01	27.54	30.48
0800	9.01	27.54	30.48
0830	9.02	27.54	30.48
0900	9.08	27.54	30.48
0930	9.18	27.54	30.48
1000	8.24	27.54	30.48
1030	11.72	27.54	30.48
1100	12.95	27.54	30.48
1130	12.95	27.54	30.48
1200	13.31	27.54	30.48
1230	14.63	27.54	30.48
1300	14.65	27.54	30.48
1330	13.31	27.54	30.48
1400	12.94	27.54	30.48
1430	12.43	13.04	15.98
1500	12.41	13.04	15.98
1530	12.41	13.04	15.98
1600	12.41	13.04	15.98
1630	9.18	9.12	9.12
1700	9.18	9.13	9.13
1730	9.78	28.22	31.17
1800	12.71	46.23	49.18
1830	14.99	46.24	49.18
1900	19.68	46.23	49.18
1930	19.68	46.23	49.17
2000	19.68	29.63	32.58
2030	19.06	28.22	31.16
2100	13.66	28.22	31.16
2130	12.86	26.23	29.18
2200	13.14	13.57	16.52
2230	10.34	13.24	16.19
2300	9.24	9.12	9.12
2330	9.15	9.11	9.11
2400	9.16	9.06	9.08

[illegible] Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 [illegible] between 8.30am and 5.15pm Monday to Friday.
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Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool selling price £/MWh
0030	14.83	9.12	9.12
0100	14.83	13.24	16.04
0130	14.83	21.85	23.66
0200	14.83	21.85	23.65
0230	11.72	21.85	23.66
0300	14.83	39.86	41.65
0330	14.83	21.86	23.65
0400	14.83	16.12	18.91
0430	11.72	13.04	14.83
0500	10.34	9.12	9.12
0530	9.16	9.12	9.12
0600	9.16	9.11	9.11
0630	9.68	12.42	14.22
0700	12.68	33.90	36.00
0730	14.83	35.45	38.35
0800	14.35	44.97	46.49
0830	14.54	47.61	51.70
0900	16.06	49.91	54.47
0930	16.63	56.31	61.01
1000	17.21	56.09	60.70
1030	17.22	54.11	56.36
1100	17.01	48.27	52.41
1130	16.14	49.23	53.66
1200	16.04	56.50	60.01
1230	15.79	54.00	58.21
1300	15.48	41.34	45.07
1330	13.25	38.26	41.34
1400	13.17	37.08	[illegible]
1430	13.10	36.03	38.69
1500	13.03	24.60	24.60
1530	12.98	13.58	[illegible]
1600	[illegible]	16.82	16.82
1630	13.46	39.74	39.74
1700	14.05	131.98	153.58
1730	19.27	223.80	254.57
1800	23.59	249.37	279.41
1830	30.09	198.22	219.18
1900	41.49	123.80	137.02
1930	37.09	72.49	72.53
2000	20.62	45.63	49.56
2030	14.96	35.88	38.31
2100	14.55	33.45	35.41
2130	14.51	33.00	34.85
2200	14.19	32.80	34.61
2230	12.68	32.78	34.58
2300	12.68	32.78	34.58
2330	11.72	9.35	9.35
2400	9.68	9.12	9.12

Prices are determined for every half-hour in each [illegible] the same as final pool prices for that day. Final pool prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by Energy Settlements and Information Services Limited. Anyone wishing to receive such information should telephone 0115 945 6788 between 8.30am and 5.15pm Monday to Friday.
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THE WEEK AHEAD

DIVIDEND & INTEREST PAYMENTS

TODAY
Allied Domecq $0.2262
Bangkok Bank 3¼% Sub. Conv. Bd. '04 $32.50
Britannia Building Society 10⅛% Bonds 2000 £1,050
Dewhurst 1.8p
Do. A Non-Vtg. 1.8p
Dixons 2.05p
ENSERCH $0.05p
Halifax Bldg. Soc. 10⅜% Nts. '97 £103.75
Hawtin 1p
Lloyds Bank Sub. FRN. 1999 £17.89
Mazda Motor 6.4% Bd. 1999 Y640,000
Do. 6.4% Bds. 2000 Y640,000
Richards 0.93p
Royal Bank Scotland 6⅝% Bd. £66.25
Sanwa Fin Aruba Gtd. Sub. FRN $837.33
Sweden 6½% Nts. '03 $32.50
Welsh Water 12.6p

TOMORROW
Angerstein Underwtg Tst. 1.1p
Brasway 0.28p
Gillette $0.15
Goodhead 0.05p
Mitsui Fxd. & FRN. '98 Y1,153,298

WEDNESDAY MARCH 6
Bank of Greece 10¾% 2010 £5.375
Dares Ests. 8% Unsec. Ln. 92/97 £4
Gold Fields South Africa R0.80
Halifax Bldg. Soc. FRN '99 £163.17
Irish Permanent Treas Gtd. FRN. '97 £165.65
Joseph (L) 9¼% Unsec. Ln. 97/02 £4.625
Kelsey Inds. 18p
Sainsbury (J) (Ch.Isl.) 8½% Conv. Cap. Bds. '05 £212.5
Zetters 5p

THURSDAY MARCH 7
Anglo Irish Bank FRN '98 £165.50
Carclo Eng 3.44p
Ewart 25
Halifax Bldg. Soc. 11½% Nts. '97 £103.75
Safeland 0.9p

FRIDAY MARCH 8
Abbey National Treasury Services Gtd. FRN. '99 $14.53
AlliedSignal $0.225
Anheuser-Busch $0.44
Bank Ireland Undtd. Var. Nts. $1,722.05
Brit. Funds 10% Treas. '03 £5
Cardiff Auto. Rec. Sec. A FRN '97 £173.19
Do. Mezz. FRN. '97 £199.30
Dawson Hldgs. 20p
Dun & Bradstreet $0.66
Fenchurch 5.75p
French 2.175p
Funding for Homes 10⅛% Deb. '18 £5.0625
Media Business 0.03p
Natl. Australia Bank Sub. Var. Nts. 2000 £173.61
NatWest Bank Var. Cap. Nts. £175.60
Portmann Bldg. Soc. FRN '97 £165.30
Renold 7⅝ 2nd. Deb. £3.8125
River & Mercantile Extra Inc. Tst. 1.96875p
Scottish Power 5.17p
Texaco $0.80
Warner Lambert $0.69

SATURDAY MARCH 9
Denby Grp. 2.3p
General Motors $0.40
Houston Idustries $0.375
Intl. Business Machines $0.25
Irish Telecomms. Invs. 9.25% '03 IR£4.625
New Throgmorton Tst. 1p

SUNDAY MARCH 10
Brit. Funds 5½% Treas..08/12 £2.75

UK COMPANIES

TODAY
COMPANY MEETINGS:
Barr (A.G.), Kidons Impey, Breckonridgw House, Sauchiethall St., 11.00
Eurocopy, Oulton Hall Hotel, Rothwell Lane, Oulton, Leeds, 12.00
Treatt, Bedford Lodge Hotel, Bury Rd., Newmarket, 12.00
BOARD MEETINGS:
Finals:
Avonmore Foods
BBA Group
Beta Global Emerging Mkts.
Brit. Polythene
Cementone
EFT Group
Fidelity Euro. Values
General Cable
Intrum Justitia
Mackie Intl.,
Perkins Group
Relyon Group
Smith & Nephew
Interims:
Close Bros.
Cornwell Parker
Hays
Wetherspoon (J.D.)

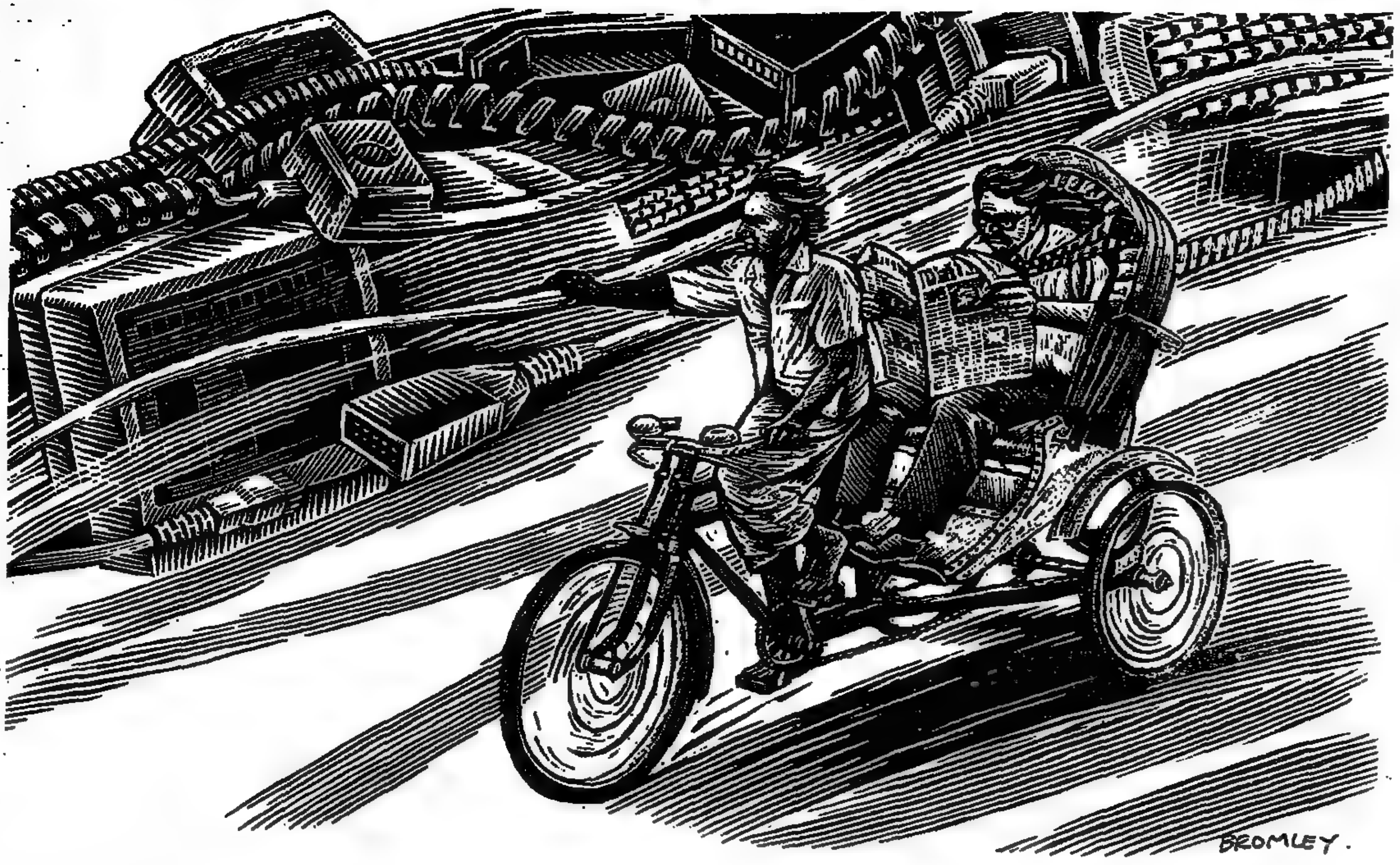
TOMORROW
COMPANY MEETINGS:
Kelsey Inds., Kelsey House, Wood Lane End, Hemel Hemstead, 11.00
BOARD MEETINGS:
Finals:
Bluebird Toys
BSM Group
Burnfield
CRH
Independent Insurance
Inspec Groups
Kerry Group
Metal Bulletin
Pacer Systems
Pagasus Group
Pendragon
Perpetual UK Smaller
Scottish TV
Singapore Para Rubber
S.R. Pan-Euro Inv.
Transport Development
WSP Group
Interims:
Beacon Inv. Trust
European Leisure
Finelist Group
Linx Printing Tech.
Raine

WEDNESDAY MARCH 6
BOARD MEETINGS:
Finals:
BAT Inds
BWD Securities
Cadbury Schweppes
Candover Invs
Central European Growth
Glaxo Wellcome
Ockham Hldgs
PTS Group
Smaller Cos. Inv.
Stat Plus
Strong & Fisher
T & N
Vickers
Woodchester Invs.
Wyevale Garden Centres

THURSDAY MARCH 7
COMPANY MEETINGS:
Brooke Tool Engineering, Le Gate Communications, 111 Charterhouse St. E.C., 12.00
Countryside Properties, Sugar room, The Brewery, Chiswell St., E.C., 10.00
First Philippine Invs., Knightsbridge House, 197 Knightsbridge, S.W., 10.30
Hawtin, Copthorne Hotel, Cardiff, 11.00
M.L. Laboratories, Institute of Directors, 116 Pall Mall, S.W., 11.00
Premier Land, The Serpentine Room, Hilton Hotel, Park lane, W.1., 11.30
BOARD MEETINGS:
Finals:
Arjo Wiggins Appleton
Clarke (T.)
Cookson Group
Cortworth
Ericsson (L.M.)
Fairway Group
Gibbs & Dandy
GKN
Group Development Cap. Tst.
Hillsdown Hldgs.
IMI
Kode Intl.
Ladbroke Group
Lloyds Smaller Cos.
Microvitec
Moorepay
More O'Ferrall
Morth Midland Construction
Ocean Group
Rolls-Royce
RTZ Corp.
Sanderson Bramall
Sun Alliance
Telewest
Virtuality Group
Interims:
Conrad
Galliford
Mucklow (A & J)
Perpetual Japanese Inv.
Renishaw

FRIDAY MARCH 8
COMPANY MEETINGS:
Denby Group, 25 Cotthold Ave., E.C., 10.30
Quality Care Homes, 12 Cuthberts Way, Darlington, 12.00
BOARD MEETINGS:
Finals:
Anglo Pacific Res.
Greggs
Hambro Countrywide
Litho Supplies
Mallet
Mercury Grosvenor Trust
Paribas French Inv.Trust
Interims:
Waterman Partnership

Company meetings are annual general meetings unless otherwise stated.
Please note: Reports and accounts are not normally available until approximately six weeks after the board meeting to approve the preliminary results.



A rickshaw on the infobahn

Bengalis are downloading e-mail from Net to newspaper, writes **Martin Mulligan**

How can Bangladeshis enter the global village of computer networking without computers? Answer: with difficulty. However, a curious partnership between electronic and steam age media in Dhaka, Bangladesh's capital, serves – for the present – as a stop-gap.

The Daily Star, an English language newspaper notable for its conservative design, now features a weekly page called "Live from the Internet". Bengalis, famous for their rickshaw driving, are diverting infobahn traffic on to the slip roads of print technology.

The manifesto that heads the page spells out the idea. "The articles or posts – to use Internet parlance – published in this page come from the Bangladesh Internet news group called *soc.culture.bangladesh* . . . In this newsgroup, Internet users from around the world, mostly Bangalees, discuss issues relevant to Bangladesh . . . *The Daily Star* reprints these posts verbatim [complete with English language errors] – just as they would appear on your computer screen."

The page carries a disclaimer stressing that the Internet "is free from all sorts of censorship and restrictions. It is truly a people's forum" – thus nervously absolving the newspaper of responsibility for the opinions expressed. The Daily Star e-mails replies from readers back to *soc.culture.bangladesh* – and so the dialogue continues: an intriguing collaboration between an élite technology and a mass-market one.

The choice of items is designed to avoid upsetting different cultural groups. But the page can still be disquieting. A recent correspondence, headlined "The Human Laboratory: Who Cares if a Third World Woman Dies?", concerned a birth control study involving surgical implants for women in the slums of Dhaka. The same page carried other e-mail from Finland, Japan and Australia.

Bangladesh is one of two countries in south Asia without a full Internet connection (the other is Bhutan). It is among the world's dozen poorest countries, with a population of 120m and an official literacy rate of less than 30 per cent.

Although annual GDP per capita has risen to an estimated $236 (£153), average wealth of the typical Bangladeshi *has fallen because of widening* inequality of income distribution.

While the growth of newspapers in Bangladesh has been startling – there are nearly 1,500 registered newspapers and magazines – computer literacy is scarce in a country experiencing an information famine.

Bangladesh has just six commercial Net e-mail providers; an electronic bulletin board system; and the Net news group *soc.culture.bangladesh* (a news group that is fairly humming in the wake of the country's recent election).

The e-mail providers must make expensive long-distance telephone connections each day to a Net host outside Bangladesh, solely to download and upload e-mail.

Bengali-language home *pages and Islam-related discussion* groups on the Net are still at an experimental stage, although pioneering efforts are afoot, notably at the Ford Foundation.

Some see The Daily Star's page as heralding the dawn of much wider Net awareness in Bangladesh. Others see it as pitiable hitchhiking on the global information highway.

What everyone agrees is that the map of the world has been unsentimentally redrawn by computers. On that map, north America and Europe are hot zones with high per capita computer ownership, while the developing nations tend to be cold.

But linking the Net to a mass-market non-computer medium, such as Dhaka's Daily Star, will at least raise Bangladesh's technological tempera*ture by a few degrees.*

Tim Jackson

Surest way to kill a bug is by spotlight

"Good morning, Nissan hot-line."

"Oh, at last. I wonder if you could help me. I've got this terrible problem with the new hatchback I bought from you last week. Whenever I tune the radio to FM and switch the wipers on, I can't open the driver's window."

"Why not?"

"Because if I do, the engine cuts out and the brakes fail."

"One moment, sir. I'll look for information on the problem in our technical support database."

(Ten minutes of Chopin).

"Ah, yes. I'm pleased to tell you that's a known problem. We'll be rectifying it in the new model next September. Our advice to customers is to *avoid opening windows while* operating the wipers. Thank you for calling Nissan."

As far as I know, no customer of Nissan has ever had such a telephone conversation. Transpose the details to the PC industry, however, and the experience is wearingly familiar. Sooner or later, every serious computer user discovers some big problem with a software package; *often,* it takes hours on the maker's support line to discover the flaw lies in the *design of the software itself.*

Part of the reason is the principle of backward compatibility. To achieve their present market dominance, Intel and Microsoft have long followed a policy of making sure new products can run the software written for older ones. That is sound commercial sense; in design terms, however, it has imposed bizarre constraints which make today's standard PC hard to use.

It is no coincidence that Apple machines and their software are simpler, and that the latest reliability survey in the US showed Macintosh customers more satisfied than any other owners.

But software houses cannot blame all their product problems on operating systems and microprocessors. Too many applications are hastily conceived; and market pressures encourage companies to release products containing so many flaws that they would never pass muster in any other industry.

Software houses can get away with this as they do not have to take full responsibility. Users who cannot get a program working often *wrongly blame themselves* first. Those experienced enough to realise the program may be at fault can spend frustrating, sometimes expensive, hours calling technical help lines, and all because the design wasn't right first time.

To be fair, times are changing. Microsoft, once the industry's biggest sinner, now bills *its divisions for* the cost of supporting their products – giving them at least some reason to make packages more intuitive. The company spent millions of dollars on a vast outsourcing contract for its Windows 95 operating system, in which a handful of big computer companies were given the job of supporting users. Its latest products contain TipWizards – mini-programs that track what users are up to, and offer advice on how to do it better.

A more powerful force for change, however, may be a case that came before the New York Supreme Court a few weeks ago. Three owners of Leading Edge PCs sued the machines' maker for failing to provide technical support promised in the warranty. If software users begin to take the same robust line – and courts to award class-action damages against companies that ship bug-ridden products – dozens of large software houses might suddenly take reliability more seriously.

Yet there is much that could still be done. One option, already taken by Microsoft, is to make available on the Net a database of *technical questions and* answers. Many companies already have such databases, because their products are too complex for hourly paid sup*port staff to know inside out.*

A good example can be seen at Netcom, the troubled US Internet service provider. Netcom posts questions and answers on its Web site. But it sorts them according to popularity so that customers can see the burning issues of the day, and can save time by reading the answers and applying them before they encounter the problem.

Yet with larger programs, there are limits to what can be achieved by putting infor*mation online. I have used* Microsoft's Knowledge Base to solve problems with Word – and both times the database's search engine failed to find the answer.

What is needed is a radical change to the industry's approach to the bugs. Instead of hiding their flaws, software companies ought to see that it *is* in their long-term interests to list them publicly. Consumers know that a program occupying millions of lines of code is unlikely to be perfect; *if they can look through a list* of known bugs before wasting time trying to run something that can never work, they will be grateful.

There is a better response: write software that works and is truly easy to use. Examples covered in this column include PCN, the advertising-based news network, and AlphaBlox, the miniaturised suite of programs for Windows 95. The best case, however, is Intuit's Quicken for Windows. My experience is that this program is as comprehensible as any accounting package can be. When problems come up, the company has a support line where calls are *picked up by real people* who understand both PCs and accounts. It is sad that this should be so rare.

Tim.Jackson pobox.com

Hyperfiction reader delights in a plot that never thickens

Victoria Griffith unravels the tangled threads of Patchwork Girl

The word "graveyard" catches my eye and I click on. "I am buried here," reads the text on my computer. I click on the word "buried" to see what lies underneath and up comes a headstone with the inscription: "*Here lies a head, trunk,* arm . . . may they rest in piece (sic)."

I am browsing through Patchwork Girl, a recent addition to the slowly expanding volume of narratives called "hyperfiction". Hyperfiction is written to interact with the reader. The text is composed in layers, meaning that the words have blocks of text behind them. Readers are supposed to absorb the story in any order that catches their fancy. One hyperfiction writer defines it as "chunks *of text* joined by electronic links".

Hyperfiction authors – a small band of academic types – believe their work will save *the written* word in the world of multimedia. They hope the low overheads of publishing on the Net will allow them to reach their public at low cost.

"Literary fiction is dying," says Stuart Moulthrop, a hyperfiction author. "No one reads any more. To save the written word, we have to use the Net to access niche audiences."

Hyperfiction emerged as an art form in the late 1980s. "One day, when I was writing, I realised that the paragraphs didn't have to be exactly in that order," says Michael Joyce, an English professor at Vassar College and early hypertext author. "I began to conceive the idea of a more fluid text, which could be read in many different ways."

A mini-industry was born. The software company Eastgate Systems was formed in 1988 to publish hyperfiction on computer disks, and now has 26 titles. Yet despite the grandiose dreams of hyperfiction writers, many feel it will be a short-lived art form.

Analysts point out that the World Wide Web and other multimedia vehicles are moving away from text, towards moving images and video. Hyperfiction also faces intrinsic difficulties. While poetry or *descriptive narrative adapt* well to an interactive style, it is nearly impossible to present sophisticated plot-orientated stories via hypertext.

"I was recently asked to do a demonstration of how a plot-oriented story could fit into hyperfiction," says Moulthrop. "And I was damned if I could come up with anything that worked."

Some critics believe hyperfiction is too chaotic and difficult to get through. Reading text on screen is notoriously *tiring, and the computer can* sometimes get in the way of the story. Browsing in Patchwork Girl, I sometimes encountered a screen that said: "Storyspace has encountered an unexpected situation."

Yet hyperfiction advocates believe the form has not fully realised its potential. Eastgate's *publications are* available on floppy disk only, rather than in compact disk form, which would allow for more imaginative presentations. A true hyperfiction *novel, say authors, would use* the very look of the words themselves – the colour and height of the letters, for example – to convey meaning.

Hypertext authors dream of being able to present their stories one day in three-dimensional form. German artist Jeffrey Shaw has already experimented with three-dimensional text with a virtual reality simulation that replaced the buildings of a city block in Manhattan with letters of the same size. Readers bicycled through the textual landscape, absorbing the feel and look, as well as the literal meaning, of the words.

The longer-term success of hyperfiction on the Internet, however, may be determined by the willingness of cybersurfers to read, rather than to absorb images. "It seems to me that the Internet is looking *increasingly like television,*" says Moulthrop. "I fear that one day text will be shoved permanently off the screen."

Cyber sightings

● A *massive effort dedicated* to wiring each of the 13,000 schools in the state of California to the Internet takes place on Saturday, March 9 – Net Day '96 (*www.netday96.com*). Sponsors, along with representatives of local high-tech companies and President Bill Clinton, are encouraged to contribute to costs or to help in the actual wiring up. There are now more than 11,000 volunteers and 640 corporate sponsors. A fine example of translating a virtual vision into direct action.

● One of the glitziest and most ambitious Web sites was *launched* last week when Disney set up its virtual theme park at *www.disney.com*, with information covering the whole range of the entertainment *giant*'s activities. The highly active site includes games, sound, and video clips. It has almost become my six-year-old's screen saver and is worth a look to see how huge resources can shape a site.

● Meanwhile, if you're planning a holiday visit to the real-life Disneyland, the 1996 California Bed & Breakfast Guide is available on the Web (*www.innaccess.com*), with searchable details of more than 800 vacation spots and stopover locations on the west coast. Very nice.

● Stock Data Corporation (*http://stockdata.inter.net/stockdata*) provides price and volume information for stocks and indices tracked on three US exchanges. A downloadable demo is available.

● America's Employers (*www.americasemployers.com*) describes itself as "the job seeker's home on the Internet" and is a good source of material if changing your career. Interesting and useful *information.* In the UK, Reed Personnel Services has links to other recruitment sites, for example *www.jobsite.co.uk* for IT, engineering and accoun*tancy*; or *www.worknet.co.uk* for banking, law and management.

● Independent inventors and designers might find the Intellectual Property Creators' Site (*www.best.com/~ipc*) interesting. It has about 50 pages of information on patents, copyright and design protection. Current, easy to browse data.

● *For DIY-ers, the* Polycell Products site (*www.polycell.co.uk*) has decorating tips and more than you probably ever wanted to know about wallpaper. You can win vouchers by sending them your own DIY tip. Better than actually painting the ceiling.

● International Financial Network (*www.world-investments.com*) is a source for information on real estate, investment and business opportunities; primarily in the US and Canada, but also expanding to include the rest of the world. In its early stages, but another quick-click listings option.

● *Technoland* by Flanders Technology International (*www.flanders-technology.be*) is a guide to the seven-day technology trade fair and convention in Belgium starting April 15. Covers housing, working, production, communication and other areas.

● Details of the 66th International *Motor Show, to be held* in Geneva from March 7 to March 17, are at *www.ville-ge.ch/gve_guid/evenemnt/auto/s_autoe.htm*, including info on the car-a-day lottery prizes. Interesting stuff. French and English versions available.

● Finally, *www.stl.co.uk/etype* has news of the sale of Jackie Stewart's former 1961 3.8 series 1 E-type Jaguar. Find out about the car and, if you're interested in buying it (price: in the region of £40,000), you can e-mail the owner your number and he'll contact you.

steve@mcgook.demon.co.uk

Financial Times on the World Wide Web
www.ft.com
or
www.usa.ft.com
Updated daily

Aim to accommodate

Do not disturb

The world's leaders come in all shapes and sizes, and have different likes and dislikes – just like well-heeled business travellers. So the latter may care to imitate the former, and make increasingly stringent demands of the hotels in which they stay.

Last week one of Thailand's top hotels arranged a giant-sized bed for Helmut Kohl, the bulky German chancellor, and sanitised the Sultan of Brunei's suite to keep it pollen-free. The chancellor and the sultan were among those attending the Asia-Europe summit in Bangkok. In all, the leaders of 25 countries had their most intimate wishes pandered to.

Bangkok's Oriental hotel, by the Chao Phraya river, ensured that Kohl had plenty of room to stretch in bed. "We have had to extend his bed in length and width after getting confirmation he is exceptionally tall and big," a member of the hotel's staff was quoted as saying by a security source. "We rushed to accommodate him so as not to compromise Thailand's image."

Security sources added that the Oriental had decked its suites with bouquets of fresh orchids and other exotic Thai flowers. But it used artificial blooms for the Sultan of Brunei. Pollen makes him sneeze. Another tip from the top: Thais love visitors who order Thai wine. At one of the summit's dinners, Chateau de Loei wine, from Thailand's north-eastern Loei province, was served instead of imported French stuff.

Passenger numbers up

Poland's state-owned airline Lot says it carried 1.84m passengers last year: 200,000 more on foreign flights than in 1994, and 40,000 more on domestic routes. Its passenger flights had a load factor of 69.5 per cent last year, marginally up on the year before.

Meningitis warning

At least 233 people have died from meningitis in Niger since January, the government said last week. Meningitis is the deadliest of four recent epidemics that have killed about 15,000 people in neighbouring Nigeria. Outbreaks of cholera, measles and diarrhoea have also been reported in several countries of the Sahel region, the arid belt on the southern fringe of the Sahara.

The Niger health ministry said most of the deaths were in southern Gaya region, near Nigeria, whose own government said it was grappling with multiple epidemics, mainly in the northern Kano state.

Fury at crash record

Anger is growing in Peru over what is seen as a lack of air safety in a country which has suffered a string of aviation tragedies, *Reuters reports from Lima.*

There have been calls from all quarters for a thorough investigation of last Thursday's crash of a 28-year-old Boeing 737-200 – the worst air disaster in Peru's history – and for an overhaul of the country's fleet of aircraft.

The fleet is said to be largely out of date, over-used and poorly maintained. Some aircraft owned by Peru's six major airlines are as old as 45 years.

All 117 passengers and six crew members died when a domestic flight came down about 600 miles south of Lima. The outrage was compounded by evidence that the cause was a faulty turbine that burst into flames minutes before the aircraft hit a hillside.

Last November, the US Federal Aviation Administration listed Peru as one of a few countries worldwide that failed to meet international aviation safety standards.

Likely weather in the leading business centres

	Mon	Tue	Wed	Thur	Fri
Tokyo	[illegible]	10	[illegible]	[illegible]	[illegible]
Hong Kong	21	20	21	22	25
London	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Frankfurt	4	5	6	7	5
New York	4	[illegible]	[illegible]	[illegible]	[illegible]
L. Angeles	19	16	16	19	23
Milan	9	[illegible]	12	11	[illegible]
Paris	3	7	8	9	5
Zurich	1	[illegible]	[illegible]	7	5

Maximum temperatures in Celsius

Information supplied by Meteo Consult of the Netherlands

Michael Skapinker is impressed by Singapore's Changi airport, where the staff smile, greet and thank passengers

A constant search for perfection

Changi of Singapore wins most of the World's Best Airport competitions and those won by anyone else are not worth bothering with.

At which other airport can you soak in a Jacuzzi overlooking the runway? There might be another airport with a karaoke lounge, but do its terminal buildings boast emperor angel fish and feather duster worms?

The fish have imperially square heads and the feather duster worms waft back and forth in the current. They, with other local aquatic life, are in the Changi aquariums which, along with the fountains and the spacious terminals, make this airport such a pleasure to use.

Not that Changi is perfect. The assistant in the clothes shop at Terminal Two was astonishingly snooty. The luggage trolleys are awkward: counter-intuitively, you have to press the brake handle down to get the trolleys to move and let go to stop them. And even though the airport is far less congested than many of its competitors, my Singapore Airlines flight to London left 45 minutes late.

Getting to and from the airport can be a problem. Changi is not connected to the underground railway system. There is a bus from the airport to the city centre and the large hotels. It is extremely good value at S$5 (£2.30), but Singapore's traffic means that the service's time-keeping is erratic. A taxi from the city centre to the airport costs only S$15 but finding one, particularly at the large hotels, can be difficult.

But the impressive thing about Changi's managers is that they know they are not perfect. They constantly send their staff to London's Heathrow, Amsterdam's Schiphol and Frankfurt – airports which occupy second, third or fourth places in properly organised competitions – to see how Changi could do things better.

"Heathrow – the way they handle that volume of traffic," marvels Ng Wee Hiong, Changi's deputy director-general. "We have a great deal of respect for Heathrow and Kai Tak in Hong Kong. We have facilities they don't have. We admire them for the effort they make with the limitations that they have, the way they innovate in the face of difficulties."

The most important advantage Changi has that Heathrow and Kai Tak do not is space. The reason Changi has so much space is that is it largely built on land reclaimed from the sea. About half of its first terminal, which opened in 1981, is built on reclaimed land. So is the whole of the second terminal, which opened in 1990.

From the airport buildings, one can see the heavy machinery reclaiming yet more land to build Terminal Three, which should open early in the next century. Operating under a more restrictive political system than many of its competitors, Changi does not have to submit its third terminal plans to a public inquiry.

This is a huge advantage over Heathrow, which wants to build a fifth terminal. Its managers are at present arguing their case before a public inquiry so exhaustively democratic that inquiry officials provide free office space to those opponents of the terminal who cannot afford their own.

In contrast to Heathrow's restrictions on night flights, Changi operates 24 hours a day. Aircraft approaching and leaving the airport fly over the sea rather than over housing.

Changi handled 23m passengers last year compared with Heathrow's 54m. The difference is that while Heathrow is bursting, Changi has enough space to deal with 35m and is expanding its existing terminals to cope with more. "Our policy is to keep capacity ahead of demand," Ng says.

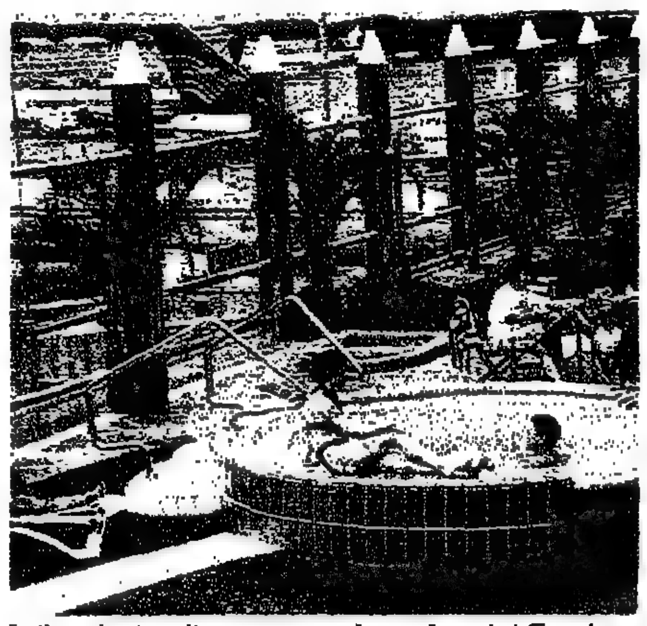
Unlike Heathrow or Schiphol, Changi does not see itself as a transit airport. Only about 20 per cent of its passengers change aircraft at Changi. This compares with about a third at Heathrow and 40 per cent at Schiphol. Ng says Changi would like to keep the proportion of transit passengers at its existing level. The airport's primary purpose, he says, is to serve visitors to the island and the large number of Singaporeans who travel abroad.

There are facilities for transit passengers, the Jacuzzi among them. There is also a swimming pool which transit passengers can use, as well as a putting green, a gym and a sauna. The airport has a 50-room hotel for transit passengers. The karaoke lounge is open from 3pm to 11pm.

But as a government-owned airport, Changi's attitude to transit passengers is that they should be spending their holidays in Singapore rather than passing through. Anyone who is in the airport for a stopover of more than four hours is offered a free coach tour of the city.

The two-hour tour takes in Little India and Chinatown and other sites. The disadvantage of the tours – the airport runs eight a day – is that passengers cannot get off the coach because they are in transit and have not been through customs and immigration. The idea is to give them a taste of Singapore in the hope that they will come back.

The food at the airport should provide enough encouragement, as should the attitude of the staff. At the employees' entrance to the airport, there is a mural exhorting them: "Greet, smile, thank." They all do, except for the assistant in the clothes shop.



In the swim: transit passengers can have a Jacuzzi at Changi

Sex kitten takes the cream

Whatever else changes in the airline industry, the Singapore Girl will go on, writes Michael Skapinker. Some might regard Singapore Airlines' long-running advertising campaign, with its sex kitten air hostesses, as inappropriate, but the carrier has no intention of abandoning it.

"That so much has been written about it and that people continue to talk about it vindicates our decision to continue with it," says Cheong Choong Kong, the airline's managing director.

"People recognise the Singapore Airlines ad. In surveys on the ability to recollect ads, we're always No 1. So, no, I don't have plans to change our advertising strategy. I think it's a symbol. You shouldn't take it too seriously. We want something that represents care and, after all these years, that's something women still do better than men."

However effective Singapore Girl has been as an advertising campaign, anyone who has used the airline knows that it does not reflect the reality of Singapore Airlines' service.

For a start, some of the cabin crew are men, and many of the women are older than those in the advertisements. Nor are Singapore's flight attendants flirtatious or coquettish. What they are is supremely professional, with an extraordinary ability to remember passengers' names.

Singapore is one of the world's few consistently profitable airlines. It ploughs billions into new aircraft. How has Singapore managed to make profits in an industry where losing money is the norm? "We're asked that question a lot," says Cheong. "I don't think our values are different from those of other airlines. They're the same motherhood values as everyone else has. Perhaps we're more religious in applying them. Or perhaps we have more luck."

But Cheong acknowledges there is one difference between his airline and those in Europe, the US and Australia. He says: "The bottom line is we are never in danger of a strike."

This does not, however, mean that he does not have to worry about industrial relations. Singapore has a labour shortage and Cheong has to go abroad to ensure that the airline operates cost-effectively. Some of the airline's accounting services are done in Beijing. The airline has a joint computer software venture with Tata of India.

Singapore faces growing competition from British Airways, the world's other consistently profitable airline, which is upgrading its first and business class cabins. But if BA wants to learn something from its rival, it could look at how the Singapore staff manage to ensure that the cabins and toilets are as clean on arrival as they were on departure.

ARTS

OPENINGS

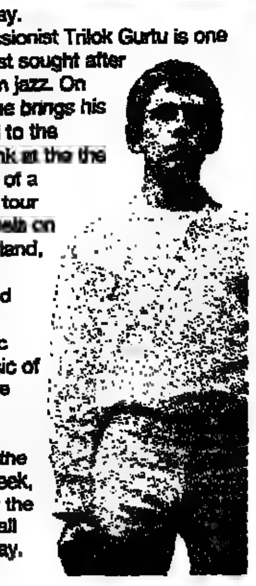
TURIN
The Teatro Regio's staging of Verdi's "Il corsaro" was to have been co-produced with Britain's Royal Opera – until the latter pulled out because of lack of money. Based on a poem by Byron, "Il corsaro" has been rarely revived in modern times, so Turin's decision to go ahead on its own is commendable. Evelino Pido conducts a cast headed by Jose Cura (above, right), Enzo Capuano and Maria Dragoni, and the first night is on Friday.

BERLIN
The George Ortiz collection of antiquities comes to the Altes Museum on Thursday after showings in London, St Petersburg and Moscow. Classical Greece lies at the heart of this outstanding private collection, but there are also treasures from ancient Rome and Byzantium. Two of the most striking exhibits are a bronze bust of the Egyptian pharaoh Amenemhet III from the 18th century BC, and a marble sculpture of a *lion from 330 BC.*

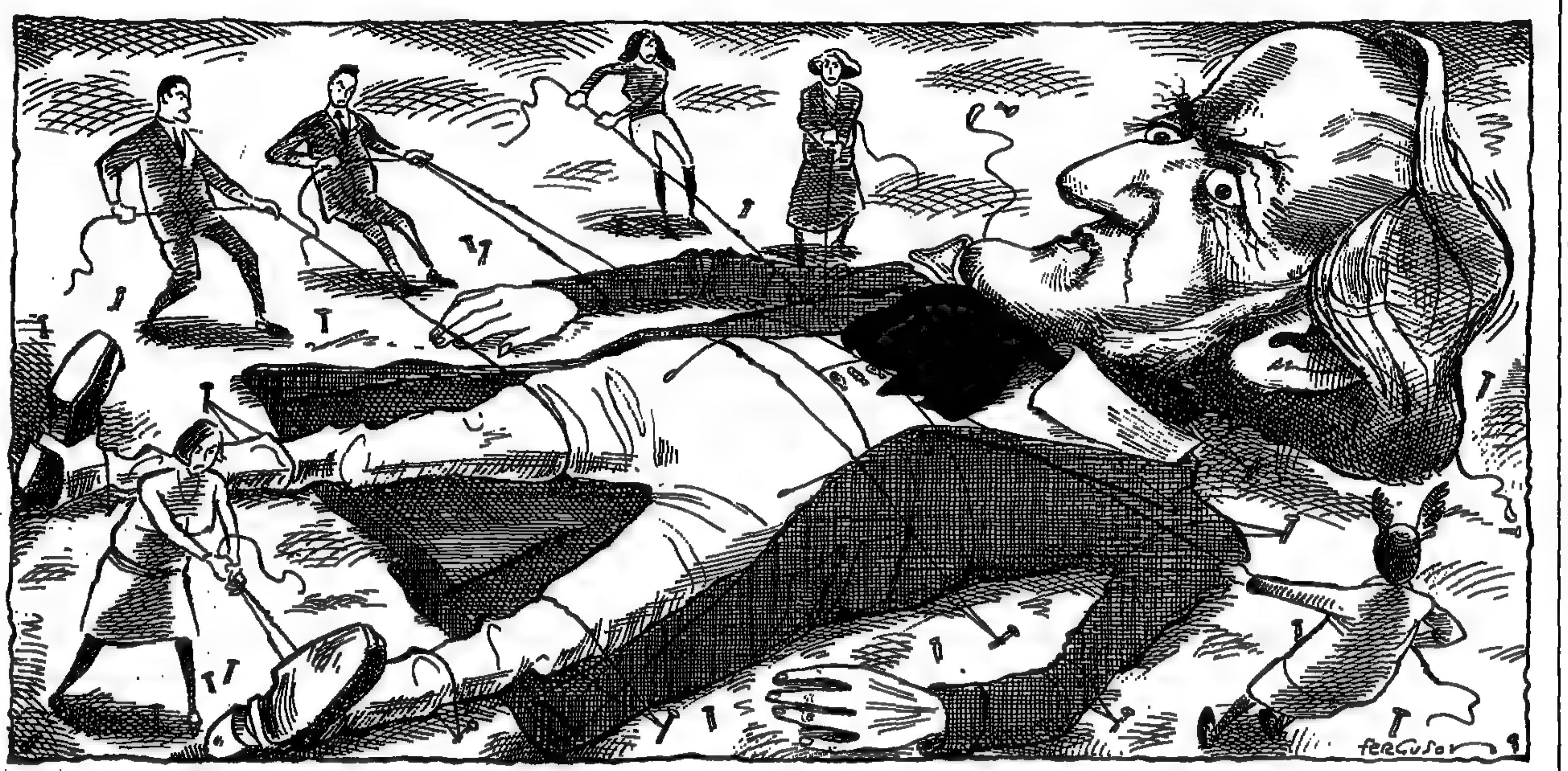
FRANKFURT
Photography in the context of contemporary art is the theme of a *major exhibition (left)* opening on Saturday at the Schirn Kunsthalle. More than 80 artists will show works including photographic series, projections, commercial advertising images, combinations of text and image, three-dimensional installations and photographs created with 19th century techniques.

LONDON
The musical "Tommy" opens at the Shaftesbury Theatre tomorrow night. First shown on Broadway in 1993, this features music and lyrics by Pete Townshend, formerly of The Who. Paul Keating (right) leads the London cast.

The Abbey Theatre Dublin's production of Frank McGuinness's play "Observe the Sons of Ulster Marching Toward the Somme" (above), directed by Patrick Mason, comes to the Barbican Theatre on Wednesday.



Percussionist Trilok Gurtu is one of the most sought after sidemen in jazz. On Tuesday he brings his own band to the South Bank at the the beginning of a European tour which travels on to Switzerland, Germany, Austria and Italy. The polyphonic vocal music of Le Mystere des Voix Bulgares comes to the UK this week, starting at the Festival Hall on Saturday.



Bayreuth faces Götterdämmerung

The Wagner family is in turmoil over its musical inheritance, **Andrew Clark** reports

The Wagners are at war over their inheritance. Richard Wagner founded the Bayreuth *festival* in 1876, to provide the best possible conditions for his art. After he died, his wife and son turned it into a thriving family business, and Bayreuth has since *established* itself as the world's most celebrated music festival. Now, amid accusations that it has become stagnant, a bitter struggle is underway for the succession.

Nike Wagner, great-grandaughter of the composer, has staked her claim to run the festival. She says it has lost its way under her 76-year old uncle Wolfgang, who has had sole charge for the past 30 years. Wolfgang has tried to sideline Nike and other members of the *family*, saying none is worthy to succeed him. Nike is the first to challenge him openly. A 50-year old author and academic, she says it is time to sort out the festival's future and set it on the path to artistic renewal.

Her controversial stance has unsettled Germany's cultural establishment, which treats the succession as taboo. It also puts her at odds with her cousin Eva, Wolfgang's daughter by his first marriage, who is the favourite to succeed him. Unlike Nike, Eva has spent all her working life in the opera business. Although she has long been estranged from her *father, Eva has steered clear of any* controversy which could damage her chances, and prefers not to discuss Bayreuth.

The next festival director will be *elected by the governing board of* the Richard Wagner Foundation – comprising representatives of public funding bodies (18 votes), the Friends of the Festival (two votes), *and the Wagner family (four votes).* If there is insufficient support for a Wagner, an outside director may be appointed.

The rules, drawn up in 1973 with *Wolfgang's approval, allow him to* remain director for life, and make no provision for illness or senility. This could strengthen the hand of his 51-year old second wife Gudrun, who is thought to harbour ambitions for herself and her 17-year-old daughter Katharina. For the time being Wolfgang enjoys good health, and is busy planning the programme beyond the millennium.

Administratively and financially, Wolfgang has made the Bayreuth festival *an extraordinary success.* Far more people apply for tickets than can be satisfied during the five-week run of performances each summer. The Festspielhaus is in *pristine condition*, and Wagner singers still regard a Bayreuth engagement as the ultimate accolade.

While acknowledging Wolfgang's skill as an organiser and salesman, Nike Wagner says he has allowed the festival to stagnate artistically. She cites Wolfgang's own productions and his penchant for international opera stars like Placido Domingo and James Levine. She contrasts this with the pioneering work of *her father Wieland*, who changed the face of Wagner interpretation in a series of challenging productions at Bayreuth in the 1950s and early 1960s. Wieland died in 1966, leaving his younger brother Wolfgang in control.

Nike says Wolfgang's sole concern has been to keep everyone happy. "The last time the festival renewed itself was after the war – but that was 50 years ago. Bayreuth is no longer at the cutting edge of Wagner interpretation. The most interesting performances now take place elsewhere."

She believes Bayreuth should be a festival of ideas, constantly questioning the relevance of Wagner's works. Instead, it has become a *"marvellous commercial machine"* which does scant justice to her great-grandfather's injunction – "Kinder, schafft Neues!" (Children, create something new). "Bayreuth has lost sight of its purpose," says Nike. "What do we want of Wagner today? You can't just play Wagner and make a festival of it – that's too easy. Wagner only survives if you know why you are performing it and what you want of it."

She says the constant repetition *of a narrow repertoire – The Ring* and six other operas – gives a distorted image of the composer. "We need to rethink Wagner. The challenge is to change without destroying." Her manifesto calls for:

■ performances of *all* Wagner's works at Bayreuth, including *Rienzi* and other early operas which have never been played there

■ festival productions of Wagner operas using a period instrument orchestra

■ fringe events setting Wagner in the context of his contemporaries and tracing his influence on modern composers like Stockhausen

■ a short winter festival at which operas with Wagnerian echoes, such as Debussy's *Pelléas et Mélisande, could be performed*

■ a fixed-term contract of 10 years for the festival director.

Nike's problem is that she is little known by the mayor of Bayreuth *and other key figures* in the Richard Wagner Foundation. At present she can only count on the support of her mother and three siblings. At least 10 other Wagners will have a say, and the family is notorious for disunity.

Her lack of management experience also puts her *at a disadvantage*. Nike says she would build a team of professionals and seek the advice of "creative staff" – she mentions the composer Wolfgang Rihm *and the conductor* Roger Norrington. Her husband, the Swiss musicologist Jürg Stenzl, would have a role – as would her brother Wolf Siegfried, whose career as a stage director is in limbo.

Dismissing Wolfgang's argument that none of her generation is qualified, Nike says, *"It's ridiculous and* he knows it, but he continues to use it because he has nothing valid to say against us. If you consider his own career and that of my father, they had no qualifications when they restarted the festival in 1951."

She says it was legitimate to talk about qualifications when members of her generation were young. "But now we are middle-aged and have made our way in the world. Eva is well-qualified on the management side, whereas I come from the intellectual side. My brother has done stage productions. Even Gottfried, Wolfgang's son, has done a lot. We all have an international horizon, we've worked in different countries, we can speak other languages. I don't want to show off, but the horizon of our generation is infinitely *broader than that of Wolfgang and* Wieland, who were brought up with the narrow ideology of the Third Reich."

Her other point is that there is an "unspoken contract" for the family business to be handed down from one generation to the next. She says Wolfgang started to do this with Eva – allowing her to work at the Festspielhaus when she was young, but then banishing her when Gudrun entered his life in the mid-1970s. *After he divorced his first wife* Ellen, Nike says, "there was room for only one woman – the daughter or the new wife. It was a power struggle, the Battle of the Queens was already there. As a result, we all feel disinherited. The Wagner family is what makes Bayreuth different from other opera theatres. But Wolfgang thinks the family only brings him trouble."

Nike's published writings on Wagner *and other creative artists* demonstrate a clear analytical mind. She talks about the need to take Wagner more seriously. "If I became festival director, I wouldn't hire scandalous names and let them do whatever. Producers would show us their ideas and we would discuss them. We would pair conductors and stage directors who can work together constructively. We would continue to reserve the Festspielhaus for Wagner, but we could do *other things in other performing* areas. Let's do a big Meyerbeer next to *Rienzi*, let's work out Liszt in Bayreuth."

Unlike Gottfried, whose much-publicised festival critique is not taken seriously in Wagner family circles, Nike speaks with calm authority. An elegant, emancipated woman, she has some of her father's visionary qualities, just as Eva has inherited Wolfgang's practical skills. Born within two months *of each other and educated at the* same school, Nike and Eva would make a perfect combination. But Nike rules out a partnership: "It might pave the way for future quarrels if we repeat the pattern of our fathers. Someone has to have ultimate authority."

Nike's reference to the bad blood between Wieland and Wolfgang suggests the wounds have not yet healed on her side of the family. "In *the eyes of the world, the two* brothers in power looked good, but their relationship deteriorated over the years. Wolfgang had equal rights to do stage productions, and Wieland could not tolerate his younger brother's plagiarism – the way Wolfgang imitated the style Wieland invented for Bayreuth, sneaking into his artistic ground, profiting from Wieland's breakthroughs and all his struggles with public opposition."

Nike says she does not blame Wolfgang for clinging on to power "like a little king". She adds, "It's human nature. He's very crafty, and he has his contract sewn up. All we can do is appeal to the conscience of the Richard Wagner Foundation. They are responsible, they rent the *Festspielhaus* to the director. They know New Bayreuth has become old, that the festival has got stuck in a groove and people are getting tired of it. But they're timid, and that's why they remain silent."

Theatre

Hardy's 'Tess'

As far as adapting literary works for the stage is concerned, Victorian novels often pose the greatest *problems*. How to compress such broad canvases, such prolonged narratives, into two-and-a-half hours? In the case of Colin Mayes' and Mark Clements' adaptation of *Thomas Hardy's novel, the answer* is not to; their *Tess of the D'Urbervilles* clocks in at nearly 3½ hours.

By focusing solely on the story of Tess herself, Mayes and Clements hack a clear and steady path through Hardy's sprawling richness. The few scenes in which she does not appear constitute only brief sidelights. The numerous locations are accommodated well by Mayes' looming stone and timber set, which does service as a village *square, a row of milking* stalls, a country lane and, incredibly, even passes muster as Stonehenge in the closing scene.

The adapters' greatest obstacle is in fashioning a theatrical whole out of the book. Tess's end is undoubtedly dramatic but in many ways is simply that – an end rather than a climax. Her saga of material and spiritual hardship has little variation in tone or intensity, even during her courtship by the idealistic, *priggish Angel Clare. Faced* with such a consistent emotional register, the audience never wholly gives itself up to the tale: on Tess's murder of her cold-hearted, *two-time seducer*, Alec D'Urberville, the drip of his blood through the ceiling actually raised a laugh.

This is a modern reaction, a reluctance to submit to melodrama, but Mayes and Clements are unable entirely to circumvent such defences. As director, Clements is content to let the story do the work, aiming for clarity and through line rather than any great delicacy.

Tara Woodward ably shoulders *the heavy obligations of the role of* Tess but cannot succeed in making her propensity for suffering attractive; where a reader may consistently sympathise with her, an *audience finds progressively* greater difficulty in granting her that particular strain of theatrical *identification. Similarly,* Chris Larkins' Angel Clare is hopelessly unrealistic and, after Alec D'Urberville's second fall from grace, Blaise Doran so immerses himself *in his character's melodramatic* wickedness that he all but twirls his moustache.

Neither a substitute for the novel nor a theatrical work in itself, this *Tess* makes for a long, narrow evening. It tells the story, but at the expense of both intellectual and emotional engagement.

Ian Shuttleworth

At Derby Playhouse until March 16 (01332-363275).

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

CONCERT
Concertgebouw
Tel: 31-20-5730573
● Tokyo Quartet: perform Mozart's String Quartet No.18 in A, Bartók's String Quartet No.2, and Ravel's String Quartet in F; 8.15pm; Mar 7, 9

■ ATHENS

CONCERT
Athens Concert Hall
Tel: 30-1-7282333
● Greek Music Series: guitarists Evangelos Asimakopoulos and Liza Zoe, pianists Diana Vranoussi and Viky Stylianou, cellist Dimitris Patras and mezzo-soprano Maria Karayevreki perform works by the Greek composers *Counadis*, Christou, Antoniou, Tenidis and Travlos; 8.30pm; Mar 7

■ BERLIN

CONCERT
Konzerthaus
Tel: 49-30-203092100/01
● Rundfunk-Sinfonieorchester Berlin: with conductor Rafael *Frühbeck* de Burgos and pianist André Watts perform works by Ravel, Beethoven and Peris; 8pm; Mar 7, 9 (4pm)
DANCE
Deutsche Oper Berlin
Tel: 49-30-3438401
● Les Intermittences du Coeur: a choreography by Roland Petit to music by Saint-Saëns, Wagner and others, performed by the ballet of the Deutsche Oper Berlin. Soloists include Lisa Cullum, Mayumi Katsumata *and Franck Balbi*; 7.30pm; Mar 7
THEATRE
Theater am Kurfürstendamm
Tel: 49-30-8813020
● Time of *My Life: by Ayckbourn* (in German). Directed by Martin Woelffer, *starring* Nicole Heesters, Joachim Bliese, Fritz Bleuler and Sabine Becker; Mon - Sat 8pm, Sun 6pm, Apr 7: 4.30pm & 8pm; from Mar 8 to May 12

■ BONN

DANCE
Oper der Stadt Bonn
Tel: 49-228-7281
● Ein Sommernachtstraum: a *choreography* by Yuri Vàmos to music by Mendelssohn, performed by the Ballett Bonn; 8pm; Mar 5

■ BRUSSELS

OPERA
Théâtre Royal de la Monnaie
Tel: 32-2-2291200
● La Calisto: by Cavalli. Conducted by René *Jacobs and performed* by La Monnaie. Soloists include Olivier *Lallouette*, Rosemary Joshua, Brian Asawa, Phyllis Pancella and Barry Banks; 7.30pm; Mar 6, 9

■ COPENHAGEN

DANCE
Det Kongelige Teater
Tel: 45-33 14 10 02
● The Triumph of Death: a choreography by Flemming Flindt after Ionesco's play Jeux de Massacre, to music by Thomas Koppel. This work for 36 dancers is performed by the Royal Danish Ballet; 8pm; Mar 5, 6, 7, 8

■ FRANKFURT

CONCERT
Jahrhunderthalle Hoechst
Tel: 49-69-3601240
● The London Philharmonic: with conductor Franz Welser-Möst perform Brahms' Symphony No.3, and suites 1 and 2 from Ravel's *Daphnis et Chloé; 8pm; Mar 5*

■ GOTHENBURG

CONCERT
Göteborgs Konserthus
Tel: 46-31-7787800
● Göteborgs *Symfoniker*: with conductor Jin Wang and soprano Rosemary Hardy perform the overture to Schreker's Die Gezeichneten, Schoenberg's Erwartung, Lehár's *Gold und Silber*, and excerpts from Mahler's Symphony No.10; 7pm; Mar 7

■ HAMBURG

OPERA
Hamburgische Staatsoper
Tel: 49-40-351721
● Tosca: by Puccini. Conducted by *Marc Albrecht* and performed by the Hamburg Oper. Soloists include Maria Guleghina, Luis Lima, Franz Grundheber, Johann Tilli and Simon Yang; 7.30pm; Mar 7, 9

■ LAUSANNE

CONCERT
Théâtre Municipal
Tel: 41-21-3101600
● Die Winterreise: by Schubert. Performed by bass Kurt Moll and pianist *Stefan Irmler; 8.30pm; Mar 6*

■ LEIPZIG

CONCERT
Gewandhaus zu Leipzig
Tel: 49-341-12700
● I Musici di Roma: and violinist M. Sirbu perform works by Respighi, Rota and Vivaldi; 8pm; Mar 6

■ LONDON

CONCERT
Barbican Hall Tel: 44-171-6388891
● The London Symphony Orchestra: with conductor David Robertson and percussionists Steve Reich and Neil Percy perform Reich's Clapping Music, Eight Lines, Sextet and Tehillim; 7.30pm; Mar 6
Wigmore Hall Tel: 44-171-9352141
● The Hannover Band: with director/violinist Andrew Manze and *flutist Rachel Brown perform works* by Handel, J.S. Bach, Vivaldi and Corelli; 7.30pm; Mar 5
EXHIBITION
Institute of Contemporary Arts - *ICA Galleries* Tel: 44-171-9303647
● Pandaemonium: in film's 100th year, this display celebrates the versatility of the moving image - both on and off the screen. The *display includes works by Michael* Curran, Jaki Irvin, Keith Tyson, Mark Wallinger and Gillian Wearing. From Mar 7 to Apr 21
OPERA
London Coliseum
Tel: 44-171-8360111
● Die Zauberflöte: by Mozart. Conducted by *Christopher Moulds* and performed by the English National Opera. Soloists include Ian Bostridge, Janice Watson and Peter Snipp; 7.30pm; Mar 6
***Royal Opera House - Covent* Garden** Tel: 44-171-2129234
● Götterdämmerung: by Wagner. Conducted by Jun Märkl and performed by The Royal Opera. *Soloists include Anne Evans, Vivian* Tierney, Jane Henschel and Judith Howarth; 4.30pm; Mar 5

■ NEW YORK

CONCERT
Carnegie Hall Tel: 1-212-247-7800
● Maurizio Pollini: the pianist performs sonatas Nos. 22, 23, 24, 25 and 26 by Beethoven; 7.30pm; Mar 8
OPERA
Metropolitan Opera House
Tel: 1-212-362-6000
● Madama Butterfly: by Puccini. Conducted by Julius Rudel and performed by the Metropolitan Opera. Soloists include Diana *Soviero*, Wendy White, Richard Leech and Juan Pons; 8pm; Mar 6, 9 (1.30pm)
New York State Theater
Tel: 1-212-875-5570
● *Tosca: by Puccini. Conducted* by Joseph Colaneri and performed by the New York City Opera. Soloists include Inma Egido, Allan Glassman, Mark Delavan, Richard Woods and *Joseph McKee; 8pm; Mar 5*

■ PARIS

EXHIBITION
Centre Georges Pompidou
Tel: 33-1-44 78 12 33
● Miguel Barceló: Impressions d'Afrique (1988-1995): *exhibition* featuring some 60 gouaches and watercolours, 15 small paintings, approximately 20 drawing-books and three ceramic sculptures. From Mar 6 to Apr 29

■ STOCKHOLM

DANCE
Kungliga Teatern - *Royal Swedish* Opera House Tel: 46-8-7914300
● Don Quixote: a choreography by Rudolf Nureyev after Marius Petipa to music by Minkus/Lanchberry, performed by *the Royal Swedish* Ballet; 7.30pm; Mar 5, 8

■ VIENNA

OPERA
Wiener Volksoper
Tel: 43-1-514442960
● Wiener Volksoper: with conductor Cornel Trailescup perform Puccini's Il Tabarro and Gianni Schicci; 7.30pm; Mar 5, 8

■ WASHINGTON

CONCERT
Terrace Theater
Tel: 1-202-467 4600
● Joseph Kalichstein: the pianist *performs Beethoven's Sonata in F* minor, Op.2 No.1, Sonata in A major, Op.101, Sonata in C minor, Op.13 (Pathetique), and Sonata in E major, Op.109; 7.30pm; Mar 7

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17.30
Financial Times Business Tonight

Midnight
Financial Times Business Tonight

Michael Prowse · America

Upwardly mobile

The gnashing of teeth over income inequality ignores data *showing the poor often move into higher income brackets*

The rich are getting richer and the poor are getting poorer. There is, conventional wisdom asserts, no more damning critique of modern America. The growth of inequality is seen as a social evil of gargantuan proportions. It is a pivotal issue in the Republican presidential primaries, with Mr Pat Buchanan, the conservative columnist, offering himself as a saviour for the supposedly down-trodden masses.

Graphs and tables showing how badly the poor are doing are endlessly reproduced in government reports and the media. This year's Economic Report of the President is typical of the genre. A prominently displayed bar chart shows that the real incomes of the bottom 20 per cent of families fell 15 per cent between 1979 and 1993, while the top fifth enjoyed an 18 per cent real increase. The headline reads: "Real incomes have fallen or stagnated for most American families since 1979."

Yet President Clinton's advisers, like other commentators, fail to put such figures into context. There is a host of reasons for doubting that data on wages and household incomes accurately measure changes in living standards. Income growth, for example, is almost certainly understated because official indices overstate inflation. But set aside such objections, which I discussed in this column on February 19. Suppose the official figures are 100 per cent reliable. They still prove much less than the doomsters would have us believe.

What does it mean to say the incomes of the bottom 20 per cent fell by 15 per cent? A natural assumption is that an unfortunate group of people at the bottom of the income ladder grew steadily poorer. A lucky group at the top, meanwhile, got steadily richer.

We could draw such conclusions if the US were a caste society, if people were frozen in particular income groups. But this is not the case. The US is a highly mobile society. The people who comprise the *bottom 20 per cent today are* not the same individuals as those at the bottom of the pile in 1979. Most people who pon*tificate on income* trends erroneously compare the fortunes of different sets of people.

The only way to find out what is happening to real people is to track specific individuals over time. Such tracking data is available and it paints a far more encouraging picture than the conventional charts. In a fascinating recent paper*, Michael Cox and Richard Alm of the Federal Reserve Bank of Dallas analyse survey data compiled by the University of Michigan.

The Michigan data show how the fortunes of a specific group of people (chosen to be representative of the population as a whole) have changed over time. We can see precisely how people at different income levels fared between 1975 and 1991 (more recent data are not yet available), a period when the poor supposedly got poorer.

The results are startling. As the table shows, only 5 per cent of those in the bottom 20 per cent in 1975 were still there in 1991. The great majority had moved into the top three income quintiles and thus achieved a "middle class" *lifestyle, or better*; *29 per cent* of the poorest in 1975 had reached the top 20 per cent by 1991. The data suggest that *being poor is not a permanent* state for most people: less than 0.5 per cent of the Michigan sample showed up in the bottom quintile every year from 1975 to 1991.

Those who started poor in 1975 typically enjoyed a much faster growth of income than those who started in the top quintile. People in the bottom 20 per cent enjoyed a $25,322 average gain in real income over the period. The increase for those starting in the top quintile was a mere $3,974. Many of those starting out poor got richer quickly: two-thirds of those in the bottom quintile in 1975 reached the top 60 per cent of the income distribution within six years.

Other attempts to track the income of real individuals paint a similar picture. In a 1992 study, the US Treasury analysed the period 1979 to 1988 using data from income tax returns. It also showed the vast majority of those in the lowest income bracket in 1979 rose to a higher grouping by 1988; two-thirds reached the middle of the income distribution and 15 per cent made it to the top quintile. The upward *mobility is somewhat less pro*nounced than in the Michigan sample because the period covered is much shorter.

The tracking studies confirm the US remains a land of opportunity. At any moment the income distribution is far from equal. But people are moving up (and down) all the time. Mr Cox, economic adviser at the Dallas Fed, points out that this partly reflects normal life-cycle changes.

Most young people (including future doctors, lawyers and company presidents) begin working life in the bottom 20 per cent, either as students or relatively unskilled entrants to the labour force. As their skills and experience grow, they rise up the income distribution; income peaks during middle age and then falls during retirement. The discrepancy between starting and peak earnings has risen sharply in recent decades, accounting for some of the rise in overall inequality.

Inequality seems a worse problem in the US than elsewhere partly because it has an unusually liberal immigration policy. The bottom income tier is constantly being replen*ished with new waves of* immigrants, many of whom arrive in the US with no skills or assets. But they typically do not stay poor for long.

It would be wrong to conclude from the Cox and Alm study that nothing needs to be done to help the poor. Everyone agrees that improvements in education and training are *important*. But their analysis demolishes the notion that there is a rigid divide between the "haves" and the "have nots". And it shows that much of the pessimism expressed by politicians reflects an inability to grasp the meaning of simple statistics.

**By Our Own Bootstraps, from the Federal Reserve Bank of Dallas, 2200 N Pearl Street, Dallas, Texas, 75201, US.*

Moving up: the poor get richer faster

Income quintile 1975	Per cent in each quintile 1991: 1st	2nd	3rd	4th	5th
5th (highest)	0.9	2.8	10.2	23.6	62.5
4th	1.9	9.3	18.8	32.6	37.4
3rd (middle)	3.3	19.3	28.3	30.1	19.0
2nd	4.2	23.5	20.3	25.2	26.8
1st (lowest)	5.1	14.6	21.0	30.3	29.0

Income quintile 1975 ($ 1993)	Average income 1975	Average income 1991	Absolute gain
5th (highest)	45,704	49,678	3,974
4th	22,423	31,292	8,869
3rd (middle)	13,030	22,304	9,274
2nd	6,291	28,373	22,082
1st (lowest)	1,153	26,475	25,322

Source: By Our Own Bootstraps

·LETTERS TO THE EDITOR·

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Challenge to realise energy savings

From Sir Frank Gibb.

Sir, Your editorial on "Green Labour" (February 28) contains a point which need clarifying.

I would agree that energy efficiency measures usually require up-front capital investment, but it does not necessarily follow that other resources are used less efficiently and that the energy efficiency industry is low-technology.

An example is the condensing boiler. These use the latest technology to produce 15-20 per cent more *efficient use of fuel*. Though the up-front cost of the boiler is higher, savings in fuel cost more than compensate for this. Another example is the energy efficient compact fluorescent light which uses an advanced technology that is being constantly improved. These lights use a fifth of the energy required by normal tungsten filament bulbs for the same lighting levels.

The Energy Saving Trust was set up by the government *and the energy companies to* promote the efficient use of energy in the UK. It is constantly looking for the technological advances that have proved effective in using energy efficiently. The trust has many examples which show costs of energy efficiency measures are cheaper than the cost of energy supply.

The *biggest question facing* the UK is not whether energy efficiency is too expensive, but how the country is going best to finance the initial investment in energy efficiency, so that, as a whole, it can benefit from the resulting energy cost savings.

Frank Gibb,
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National defence policies decided in Brussels sure way to EU split

From Mr Russell Lewis.

Sir, Your leader "An outline for EU reforms" (February 28) asserts that the European Commission's proposal to abolish the national veto "may be less earth-shattering than it sounds". There can be few areas of national policy more vital than foreign, security and defence policy. It is undeniable that the national interests of member states differ widely.

To give one example: do we agree with Chancellor Kohl's current assertive pro-Yeltsin policy in Russia's elections? There is no surer way of creating the conditions in which the European Union will split disastrously than by allowing national parliaments and governments which are responsible for the safety of their people and servicemen to be outvoted behind closed doors in Brussels.

You cite agriculture as an example of an area in which *majority voting is already used* and by implication with success. Surely this is the kind of "success" we can do without in foreign affairs and defence?

Russell Lewis,
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Not intimidated after a whirlwind tour

From Mr W. R. Hutton.

Sir, I have always been a little intimidated by your paper's illustrious name. So I *felt a small amount of awe* when I opened the pages for the very first time, and read Edward Mortimer's column *entitled "Surfeit of good* things" (February 28). His opening proposition – "Free economics is a necessary condition for free politics. But you can have too much of a good thing." – was one I've been grappling with for a long time, and so I settled back, in full focus, for his weighty discourse.

To my amazement, his support for the above claim involved an analysis of: Pat Buchanan, the United Nations, unhappy Americans finding jobs in a changing economy, Russians, a Serb gunner in *Adidas sneakers, the Islamic* Jihad, Portugal's 1974 revolution, Shakespeare and McDonald's hamburgers.

His final and only real defence of "liberalism" (stated three times in three different ways, I might add) was: "If every choice is left to the market, the right to vote becomes meaningless, because the people you elect have no power to change anything."

This, when boiled down, becomes the redundancy: the *problem* with getting *rid of* statist policies is that it interferes with the state's control of things.

While I did enjoy his whirlwind tour of recent history, I do not believe I gained any new insights into the application of the philosophy of politics from Mr Mortimer.

For those details I may have to start reading the works of Aristotle, Jefferson, Ludwig von Misis, and rereading the works of Ayn Rand.

But I will not be intimidated any more.

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Employed already bearing the costs

From Mr Peter Robinson.

Sir, I greatly enjoyed Pamela Meadows' contribution to the *debate on unemployment* ("When growth fails the unemployed", February 27). She quite rightly pointed out that in order to reduce unemployment, those who have jobs must bear some costs in one of three ways: in the form of lower wages, higher taxes or higher prices.

Is this not exactly what has happened in the last three years? The growth in wages has been very subdued and the government has raised taxes significantly, not to fund job programmes, but to achieve a necessary rebalancing of fiscal *and monetary policy*.

And the result? Three years of steady economic recovery delivering rising employment and declining unemployment, without any of the inflation or current account problems which derailed the Lawson boom. Unfortunately, those in work do not seem to like this *benign recovery*. The combination of subdued wage growth and rising taxes meant that in 1995 real take home pay for the employed fell for the first time since 1982. Hence, why a balanced sustainable recovery has co-existed alongside a feelbad factor.

The challenge is how to sustain this recovery, and how to persuade the politicians to level with the electorate by delivering the message that a sustained recovery demands continued restraint by those in work.

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The vision of a heretic

Oracle is promoting a cheaper alternative to the personal computer, says **Louise Kehoe**

Larry Ellison is a personal *computer heretic*. Rather than cheering for the latest, fastest PC technology – as most of his peers do – the chairman and chief executive of Oracle insists that PCs are already far too expensive and complex.

For the past six months, Ellison has been energetically promoting the concept of a network computer (an NC) – a *$500 machine that, when* linked to the Internet or a corporate network, could substitute for a multimedia PC costing at least four times as much.

Last week, defying industry sceptics who said it would be impossible to build a multimedia computer for such a price, Ellison demonstrated a *working prototype* NC built with parts costing less than $300.

Before an audience of software developers in San Francisco, Ellison put the NC through its paces, accessing the World Wide Web, sending and receiving electronic mail and performing standard jobs such as word processing.

The NC not only matched the performance of a PC but, in some ways, it was better. Playing video and sound clips from Internet pages, for example, is much simpler and quicker on an NC because the signals are played directly as they are received over the Internet.

This eliminates the cumbersome PC approach which involves downloading the signals to PC memory, storing them on disk and then *processing them with a* "player" program.

"This is what Bill Gates has called a 'dumb terminal'," Ellison quipped as the NC fired up a video of white-water rafters, accompanied by loud CD-quality music. Gates, chairman and chief executive of Microsoft, the leading PC software supplier, has been scathing about "Larry's vision" for NCs.

The NC turns the concept of a PC on its head. Instead of putting computer power and numerous application programs on every desk, the NC minimises the desktop unit and relies heavily upon the power of network "servers" – larger computers that store data and software and service the needs of all users linked to a network.

In the corporate setting, the NC could be linked to an office "local area network". For the computer at home, the NC would be hooked up to the Internet.

While admitting that the *"NC will never replace the* PC", Ellison contends that NC sales will overtake PC sales by the end of the decade. "There is an enormous market in corporations, an enormous and important market in schools, and a gigantic market in homes for NCs," he says. "I personally think that there will be more NCs sold in the year 2000 than PCs."

He voices complaints about PCs that are seldom heard within the computer industry, but all too familiar among PC buyers. The PC is expensive to own, he says, and too complex and difficult to use. NC manuals, he insists, will be no more than eight pages long.

He likens the 15-year-old PC to "an old house that has been continually remodeled". In contrast, "the NC has been invented in the 1990s to take advantage of the proliferation of computer networks".

He says: "If you design a computer that assumes the existence of a network, you *end up with an entirely differ*ent computer than the PC. You design a device that is like a TV, utterly worthless without the network. But because there are networks, these devices are simple, low cost and enormously valuable."

Larry Ellison: 'There is a gigantic market in homes for NCs'

While Oracle has developed the basic software needed to get the NC off the ground, the company's primary motive is to sell more of its flagship database programs. "The NC should create demand for more servers and that is what we do – server software," said Ellison.

Oracle has no plans to manufacture or market the NC. Instead, Ellison has spent the past few weeks touting the product to prospective computer and electronics manufacturers. While refusing to name any companies that will make NCs, he claims that NCs and NC components will be produced by some of the top computer companies in Japan, Korea, Taiwan, North America and Europe.

Already, suppliers *of components* used in the prototype NC are relishing the prospect of a big new market. In particular, Advanced Risc Machines, a sister company of UK-based Acorn Computer, is hoping to break into the mass market with its high-speed, low-power microprocessor chips.

Even as he demonstrated the *prototype NC, built using* ARM's chip, Ellison announced his company was "working hard" to ensure that new models based on Intel Pentium chips would be available "at the same time or before" the ARM-based version was on the market.

Many manufacturers of PC circuit boards, which use Intel *chips, could quickly* reconfigure these products to make NCs, Ellison explained.

The point is telling. From the perspective of computer manufacturers, the NC is little more than a stripped down PC. Indeed, although Ellison claims to have persuaded Intel of the benefits of the NC, the world's largest *chip maker sounds less than* enthusiastic.

"We still think the main thrust for Internet access is a high-performance PC," Intel said. While the chip maker will not turn away business if demand for NCs *materialises*, it still regards the NC as a "niche product" that might achieve sales of a few hundred *thousand a year rather than* the tens of millions that Oracle is predicting.

Moreover, it seems unlikely *that* NCs using Intel chips would sell for $500, the price Oracle is targeting.

Yet whatever the speed of the chips, performance of NCs will largely depend on the speed of network connections. In his demonstration, Ellison used a high-speed digital telephone link to show off the NC at its best. In many parts of the world, such digital lines are expensive or unavailable.

Oracle's dream of creating a new category of home and office computers cannot come true until telephone companies or cable TV services upgrade their networks to make high-speed network links more widely available.

The NC could be the breakthrough computer product of the 1990s, as Ellison suggests. It might also, however, join the ranks of Apple Computer's Newton "personal digital assistants" and the interactive television "set top box" in the computer industry's skeleton cupboard.

FINANCIAL TIMES

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Hard decisions for Australia

Australia's Liberal-National coalition takes office this week after an electoral landslide which surprised even its most optimistic supporters. It is far from clear, however, that the new government's commanding majority in the lower house also reflects a solid popular mandate to tackle decisively the country's most pressing problems.

There is much evidence that voters were swayed less by enthusiasm for the coalition's policies than by disillusionment with the outgoing Labor administration. After 13 years in power, Labor was widely judged to have lost its spark, and Mr Paul Keating, its leader, to have grown too arrogant. Economic malaise also played a big part. Though Australia is in the fifth year of a recovery, unemployment remains above 8 per cent.

Yet the campaign waged by Mr John Howard's coalition offered few fresh ideas. On most policy questions, Mr Howard either implicitly endorsed Labor's approach or obfuscated. His caution is understandable, after his party's mauling at the 1993 election when it espoused sweeping economic reform. But the tactic cannot help him as prime minister. Among the most urgent tasks is to attack an underlying annual budget deficit now running at A$9bn, or 2 per cent of gross domestic product. The shortfall is disturbingly large at this stage of the economic cycle. More fundamentally, putting public finances in order is vital to controlling Australia's large debt burden and raising its chronically low savings rate.

Doing so will require tough choices, for which the coalition has poorly prepared the electorate. To slash spending, after promising bigger hand-outs during the campaign, would invite public cynicism. Measures to increase budget revenues – and redress a fiscal structure which unduly favours consumption over productive investment – would prove equally controversial. All the more so if they involved the economically sensible option of a new indirect tax, which voters overwhelmingly rejected only three years ago.

Mr Howard's government faces other obstacles. Despite its strength in the lower house, minority parties retain the balance of power in the senate. They oppose the coalition's proposal partially to privatise Telstra, the telecommunications group, and may resist its plans for labour market reforms.

Mr Howard promised in the campaign to create a "relaxed and comfortable" Australia. That may be what many voters want. But it is no guarantee of future prosperity. That goal requires difficult decisions, likely to arouse short-term unpopularity. The risk is that Australia's new government has regained office at the price of its ability to govern effectively.

Nuclear sale

Negotiations for the privatisation of the UK's nuclear industry have turned into a standoff. The question is which side will blink first: the Department of Trade and Industry, or British Energy, the company created for the sale. On past experience, it will be the government. However, there are encouraging signs that this time ministers might be more robust.

Conflict has centred on two issues: the liabilities to be transferred to the private sector, and the level of debt to be carried by British Energy. The government appears to have won the first point, insisting that all liabilities associated with British Energy's eight power stations should also be transfered to the new company.

There is a natural logic in the decision to match liabilities with the assets which generated them. Moreover, the liabilities which have been at the heart of the recent row – essentially, the cost of reprocessing fuel rods which were used in the past but have not yet been reprocessed – are only about one-eighth of the $12bn liabilities which the company is now expected to bear. They will also crystallise soon, and are therefore relatively easily quantified. Much more uncertainty surrounds longer-term reprocessing and decommissioning costs. The government has yet to demonstrate it has made a thorough assessment of those costs and of British Energy's ability to meet them without running its stations well beyond their expected lifetime.

Meanwhile, the issue of debt levels remains fiercely contested. Mr Ian Lang, industry secretary, should continue to play tough on this point. The government has rightly been criticised for privatising many utilities with unnecessarily well-capitalised balance sheets, in order to smooth the sale.

Instead, initial debt should be set as high as expectations of cashflow will permit. The market's view of the risk that earnings will deviate from those estimates will then be reflected in the sale price. That risk certainly exists; in particular, prices in the wholesale market for electricity may fall. Contracts for supplying coal to power stations expire in 1998, which may allow costs to fall, while new plants are coming on stream. Lower prices could hit nuclear power's cashflow hard, as its costs are almost entirely fixed.

Nonetheless, there is little point in trying to assuage those fears by over-capitalising the company. For a start, the government might well prove a net loser, in that the debt retained by the public sector might well exceed the enhancement to the sale price. Moreover, the market frequently overestimates such risks. If the fears proved exaggerated, the shares might then perform embarrassingly well, as they have done in previous electricity privatisations.

Nuclear is far from the easiest sale, but ministers have nothing to gain by treating the industry too generously. For British Energy's part, if it wants to be privatised, it should blink soon.

Asia and the EU

The more vehemently Asian and European leaders protest that their summit in Bangkok was a success, the more they expose its insubstantial result. Their actual exchanges were banal, and much of the agenda was borrowed from elsewhere. Government leaders do not need to travel half way round the world to organise cultural exchanges between students.

Their defence is that they started a process which will bind Europe and Asia economically and enhance global security. That is indeed a worthy aim. But if the process is to lead anywhere, the summit must be followed through with diligence and determination. The final statement skirts round the challenges, especially on the economic front.

Europe must decide how far it is prepared to undertake further trade liberalisation to match the parallel process among members of the Asia-Pacific Economic Co-operation forum. If it does nothing, it will be accused of taking a free ride on the coat-tails of Apec, which plans to liberalise on a non-discriminatory basis.

This realisation is slowly dawning in Brussels, but Europe still seems stuck with a mercantilist desire for balance. It says it must wait and see how far Apec actually goes before considering additional measures of its own. Yet some unilateral steps, notably a relaxation of anti-dumping procedures and quota restrictions, would be in Europe's own interest anyway. They would also demonstrate it was serious about Asia.

If the momentum is to be maintained, there must also be a goal, as Apec has already discovered. Since there is no question of creating an exclusive trade bloc, there is no harm in agreeing a target date of 2020, the same as Apec, for free trade between the two regions. The process of building closer relations will fizzle out if all sides insist on it remaining informal, but a firm target date could be applied to the WTO as well.

Apec and the Asia-Europe meeting, or Asem as it is already known, would then effectively be two separate parts of one continuous multilateral trade round. This fragmented approach to global liberalisation is less unwieldy than the traditional round and might make for faster progress. The modern trade agenda is too complex for the old approach. The Uruguay Round nearly collapsed several times under the strain.

Asem should aim for a particular contribution on investment, which has proved difficult for Apec and seriously lags physical trade flows. Europe is right to seek clearer rules. Investment will not flow if the treatment of foreign investors remains capricious and subject to favouritism as it is in parts of Asia. Asia's interest is more than just economic. If Europe had a greater direct commercial stake in the region, it would have a more tangible security interest too.

Roll up for the crazy carousel

City institutions are paying huge sums to get the right people on board, but not everyone can join the ride, say FT reporters

Winner-takes-all has come to the City of London jobs market. The phrase of the moment among US pundits reflects the increasing polarisation of reward between a handful of stars and the rest of the field in many aspects of the modern economy. Top dogs, within an individual company or in an industrial sector, now leave only scraps for their rivals.

So it is with the dramatic stories of the "poaching" of bankers, traders and analysts in mouth-watering deals worth hundreds of thousands or even millions of pounds. For those in highest demand, the competition is fierce, and loyalty goes to the top bidder.

"It is a crazy carousel," says the head of a leading mergers and acquisitions advisory business. "I don't like it, but I am part of it." An analyst concurs: "There is a huge merry-go-round. It is the latest way for commercial banks to lose money. First there was Latin America, then there was commercial real estate; now they are trying to stuff it into my back pocket."

This is the City's third ride on the carousel in the past decade. The first came in the run-up to Big Bang when investment banks paid huge sums for stockbroking and jobbing firms. The second followed on from that until the 1987 crash.

But the current City transfer market manifests the same gulf that exists – and is widening – between the fortunes of English football's Premiership and the also-rans of the Endsleigh League.

"There is a big divergence between the stars and the multitude," says one bank economist. "Only where people fit into a specific role for a bank or investment firm do you get very large salaries."

Experienced fixed income and equity analysts might expect to earn between £70,000 and £100,000 a year, with up to £70,000 more in bonuses and fringe benefits. But the premier league of analysts who find their particular specialisms in demand command much higher salaries – with a privileged handful earning more than £1m.

Increasing numbers, however, are paid far less than this. Junior analysts at some European banks, generally regarded as the worst payers, can earn as little as £20,000 a year. "There have always been people in the City who have been paid crap but the number is increasing," says another analyst.

There are also large divergences in bonuses, according to a bond trader at a UK bank. "The curve has steepened – the good producers are getting a much larger share of the pie while the plodders have got little or nothing. At most banks, the bonus pool is probably bigger this year than last year, but a smaller number of people have got a larger share, and that trend will continue." Even where the bonus pool is huge – CS First Boston paid twice as much in bonuses as it reported in pre-tax profits – some people have missed out. "Where did all the money go?" asks one banker.

Among the winners are analysts capable of helping banks deliver lucrative mandates to privatise state-owned companies or float shares on international equity markets. As margins contract on bond and loan business, equity issues have become the most sought-after deals – commissions for such deals typically amount to between 2 per cent and 3 per cent of the amount raised. Deploying leading sector analysts for presentations during roadshows can help enormously. "Banks have to show research capability as part of their marketing effort," says a City economist. "You have to have a top-ranked telecoms analyst to present yourself as an important player to the government which is privatising."

The media business, the subject of much US merger and acquisitions activity, is another sector where highly rated analysts command large salaries. Other hot areas are equity derivatives, where leading executives can earn more than $10m (£6.5m), mergers and acquisition advice, pan-European equity researchers and – back in fashion again – emerging markets.

The obsession with analyst league tables, such as those published by FT Extel and Institutional Investor, has increased the competition among analysts. "If you're among the top three rated analysts, you're in the driving seat," says Ms Gillian McBurney of Dendera Research, a market research and executive search company.

She adds: "In the old days, if you got into the office on time, kept your desk tidy, got along with the sales team and wrote regular research reports, you kept your job. Now it's a much more competitive market. If you're not producing and if your research isn't attracting the big investors, you won't stay in your job for long. There's a lot more performance pressure – not just to get the job but also to keep it."

Traders see the same trend. "Bond sales and trading are a very capital-intensive business with incredibly high overheads," says one. "Only the people who can amply cover their costs – like proprietary traders – will be rewarded. The non-producers are a huge drag on the banks' ability to pay people – even the good ones."

The structure of bonus payments was already changing in the wake of the Barings collapse last year. When share prices were soaring in 1993, successful traders were able to make multi-million dollar bonuses – traders attached to one Japanese bank are said to have negotiated a deal giving them 25 per cent of the bank's profits.

By contrast, although poor performers might have lost their jobs, they bore none of the losses they had helped to cause or failed to prevent. But over the past year, a number of banks have introduced deals in which traders take much more limited bonuses, but in turn are given greater job security.

Stars in the City share this yearning for security with other beneficiaries of the winner-takes-all economy. Like their boardroom counterparts in privatised utilities, City high-fliers earning high rewards do not necessarily face high risks. Poaching a City star often means offering a safety net.

The most common bait is the "guaranteed bonus". A company determined to hire an individual might have to agree to double his or her earnings, guaranteeing a pre-agreed basic salary and annual bonus for a fixed period, usually one year.

"A role reversal has been taking place," says Ms McBurney. "A few years ago, banks paid up in order to hold on to people, but nowadays the employees want contracts that will give them some degree of job security. The golden handcuff is being pushed more by the employees rather than the employers."

Guaranteed bonuses make colleagues jealous and remove some of the control that investment banks have over costs. In mergers and acquisitions, salaries and bonuses account for about 90 per cent of costs. Like the prodigal son's elder brother, moreover, existing staff resent the largesse offered to newcomers because it reduces their own slice of the bonus cake.

Paying bonuses in deferred shares is intended to retain loyalty, but it can also accelerate the speed of the pay carousel. When Merrill Lynch hired Mr Guy Dawson from Deutsche Morgan Grenfell as its head of corporate finance in Europe, it had to offer costly compensation for the loss of his share bonus.

Guaranteed packages also do not make certain that the new hire will bring in the volume of business to justify his cost. For example, Mr Maurice Thompson and Mr Michael Cohrs, lured from S.G. Warburg for a reported £3m each, have yet to win a high profile international equity mandate for Deutsche Morgan Grenfell.

With such high stakes, recruitment now means high anxiety. "The bidding going on for high-quality people resembles a raise-or-fold poker game," says a senior banker at a US company.

Companies sometimes want an open-ended search for the best candidate – increasingly a global task – but on other occasions know exactly who they want and ask the headhunter to act as an intermediary. "Our value added in those circumstances is to bring them to the table and close the deal," says Mr Bob Flohr, head of global banking practice and European financial services at executive recruiters Korn Ferry Carré Orban International. This is not always so simple with astute candidates. "I find myself sometimes with their lawyers, accountant and pension adviser."

The immediate outlook for the jobs market reflects its polarised nature. Aggressive recruitment by continental European banks holds out encouraging prospects for top candidates and has fuelled the latest surge in top pay packages. "Some houses, like Deutsche Bank, are expanding and offer quite a lot of money to get good people on board," says one bond trader.

But others believe the many bank mergers and takeovers during the past year – including SBC Warburg, ING Baring, Merrill Lynch and Smith New Court, Chemical and Chase Manhattan, Dresdner and Kleinwort Benson – will reduce opportunities. Decisions by several banks to reduce their UK operations could also slow the carousel.

Another trader says: "Many banks have been able to get away with paying mediocre bonuses because they know their employees can't find a new job that easily – it's a buyers' market." Unless you make it to the winners' circle.

Written by Clay Harris. Reporting by Nicholas Denton, Richard Donkin, Richard Lapper, Conner Middelmann and Antonia Sharpe

· OBSERVER ·

T Boone's last stand

■ Remember the days when the mere whisper of T Boone Pickens' name struck terror in the executives of Big Oil? Well, one of the most feared predators on Wall Street has finally sued for peace.

Over the last six months the legendary Texas oilman has been waiting for someone to ride to the rescue of his ailing oil and gas producer, Mesa.

Finally, on the day before the deadline he had agreed with a group of troublesome shareholders, Pickens found his White Knight - Richard Rainwater, a fabulously successful Texan investor of a more recent vintage (he is 51 to Pickens' 67.)

For the man who once terrorised the boardrooms of giants like Chevron, Texaco and Unocal, this is quite a come-down. To keep his dissidents happy, Pickens had to find some new equity. It has come at a price: in return for alleviating Mesa's woes with an infusion of $265m, Rainwater has secured a third of the company and two board seats. And, to make clear who is now in the driving seat, Rainwater and an associate will hold sway on a new three-person executive committee (the third member is Pickens.)

Pickens can console himself with the thought that it could have been worse. At least he remains chairman of the company he has built over the last four decades. Other shareholders, meanwhile, have been left wondering whether this arrangement is really the best outcome - or whether they might not have been better served by a break-up of the company. Pickens must know the feeling.

Hot line

■ Even London Transport, which knows a thing or two about explaining away delays on its own underground services, would be hard pressed to come up with a more innovative excuse for the rush hour chaos which delayed 100,000 commuters in Hong Kong last week. A helium-filled child's metallic balloon, let loose in a station on Hong Kong island, shorted an overhead electrical cable, causing it to melt. Hong Kong is now agonising over whether to ban metallic balloons from the entire system.

Sheep dip

■ Fresh evidence, if any were needed, that French politicians dare not ignore the farming vote. The 33rd annual "salon d'agriculture", on the outskirts of Paris, closed yesterday after a week-long run and a record political turnout.

President Jacques Chirac, playing up his rural roots, became the first head of the republic to visit the exhibition since 1978. He spent no less than five hours shaking hands and patting animals on the day it opened. Since then a steady stream of politicians has shown up, ranging from former President Valéry Giscard d'Estaing, prime minister Alain Juppé and Chirac's Gaullist opponent Edouard Balladur, through to Jean-Marie Le Pen of the extreme right wing National Front. At last count 17 members of the Government and over 200 politicians turned out.

Closed shop

■ No wine, women or song for China's parliamentarians who are set to convene tomorrow for their annual talkfest in Beijing's Great Hall of the People. State Council, or cabinet, has issued regulations apparently aimed at making the annual rubber stamp gathering a particularly joyless occasion. An edict has gone out that there is to be no banqueting and no exchanges of gifts.

In the past, meetings of the National People's Congress had been occasions for serious partying among delegates drawn from all over China. These days, Chinese leaders are seeking to convince a cynical public of the worthiness of parliament's role.

Delegates will not be permitted to leave the capital during the 14-day session, to conduct unauthorised meetings or to present unapproved written materials. The latter provision has the big advantage of heading off dissident petitions that tend to surface at the annual session.

Pin-up boy

■ David Wright, Britain's new ambassador to Japan, has not taken long to get his face known about the place. His photograph has started to appear on grocery fliers for Daimaru Peacock, a local supermarket chain, which has decided to carry the products of British supermarket chain Waitrose on its shelves.

Wright, who started last month, has penned a congratulatory letter which appears on the promotional fliers. Where will this diplomatic effort to open Japanese doors to British business end? Observer sincerely hopes that the diplomatic pin-up boy will draw the line at opening new supermarkets.

Better leave that sort of thing to Princess Diana, ambassador.

Sensational work

■ There seems no end to the inventiveness of the men in white (lab) coats. Swiss pharma giant Ciba-Geigy and Isis Pharmaceuticals of California are very proud about their new way of discovering drugs: it is called "antisense" technology.

The Financial Times

100 years ago

London Property Market
There was a fair amount of business done at the Mart yesterday, but the properties were, on the whole, an uninteresting lot. A freehold building site in Smithfield; covering a superficial area of 1,100 ft, was knocked down to £810 to a gentleman who revealed his identity by calling out his name "Sausage Harris" and we knew then we were in the presence of the king of purveyors of this dainty food.

50 years ago

New York open to list foreign stocks
New York: "The New York Stock Exchange is fully prepared to list foreign securities, thereby providing a new avenue for European corporations to secure badly needed American dollars during the present world reconversion period," according to Col John Haskell, vice-president of the New York Stock Exchange.

No foreign applications for listing stocks and bonds were at present before the Stock Exchange, primarily because foreign corporations were generally lax in supplying comprehensive and timely fiscal data to investors.

FINANCIAL TIMES
Monday March 4 1996

Japan faces budget showdown

By William Dawkins in Tokyo

Japan's opposition New Frontier party plans to block the government's final bid today for agreement on this year's budget, including an unpopular plan to use Y685bn ($6.4bn) of public money to liquidate bankrupt housing loan companies, or *jusen*.

The budget proposes Y75,105bn in spending and the sharpest rise in government debt in Japanese history. The ruling coalition aims to push the budget through its final committee stage and pass it at a plenary session of parliament in the next few days.

Mr Takashi Yonezawa, NFP secretary general, yesterday said there would be a showdown. "We will resort to various means to block the passage of the budget which contains the use of taxpayers' money to liquidate the *jusen*," he said.

Opposition officials last week indicated they were considering procedural tactics to force the government to agree a number of concessions.

The NFP is pushing for commercial banks, which founded the *jusen*, to bear a high share of any future losses – expected to be substantial. It has the support of a number of politicians in Japan's Liberal Democratic party, the largest coalition partner. Amendments could emerge when the budget bill proceeds to the upper house, or even after parliamentary agreement.

In addition, the NFP is seeking to summon senior members of the LDP before parliament to testify on who was responsible for the *jusen* losses. That could embarrass Mr Ryutaro Hashimoto, prime minister, who was finance minister from 1988 to 1991 when *jusen* lending to what turned out to be overvalued property projects was expanding fast.

The *jusen* plan is the centrepiece of the government's attempt to restore stability to a banking system weakened by bad debts accrued during the fast expansion of asset prices before the price collapses of the past five years. The budget also includes public spending needed to support the fragile early stages of a recovery from Japan's longest recession since the 1930s.

With a comfortable majority, the government is assured of getting agreement on the basic structure of the plan, however hard the NFP tries to block it.

The government has been helped until now by the NFP's lack of aggression over the scheme, a reflection of the fact that some of the NFP's top members were in office when the *jusen* made their worst loans.

Yet the government's popularity is falling so fast that it may be tempted to give in to some of the NFP's demands. Support for the cabinet of Mr Hashimoto has declined from more than 60 per cent on taking office in January to just over 47 per cent, according to a poll by the Asahi Shimbun newspaper last week.

Turkey's two rival leaders to share power in coalition

By John Barham in Ankara

Turkey's two rival conservative leaders agreed yesterday to form a centre-right coalition. Their decision came two months after inconclusive elections gave no party a clear mandate to rule.

Mrs Tansu Çiller, the caretaker prime minister and head of the True Path party, agreed to share the premiership with her old foe, Mr Mesut Yilmaz, leader of the Motherland party, as well as sharing out government posts between the two parties.

"I believe this is the most logical resolution from the picture thrown up by the elections," said Mr Yilmaz.

Turkish politics were deadlocked when Islamist Refah (Welfare) emerged as the largest party in parliament after December's elections, with 158 seats in the 550-member assembly.

Although the two conservative leaders share the same pro-western, secular and free market policies, they managed to reach a compromise only after a week of negotiations behind closed doors.

Senior party members have drafted a complex document setting out policy, dividing portfolios between the parties and establishing the rotating premiership. However, only the arrangements for the premiership have been confirmed.

Mr Yilmaz will serve as prime minister for the rest of this year. Mrs Çiller, who will not hold cabinet office this year, will take over in 1997-98 before handing power back to Mr Yilmaz for a further year. A True Path politician other than Mrs Çiller will run the government in its fifth and final year.

Details of the government's programme will be announced only after both parties' caucuses have debated them. Motherland will convene today, followed by True Path tomorrow.

Mr Yilmaz is then expected to present his cabinet list for approval to President Süleyman Demirel on Wednesday. The coalition's programme will be read out in parliament the following day. A vote of confidence is expected next week, after which the government can be formally installed.

Although True Path and Motherland together will still be 15 seats short of a majority, two smaller leftwing parties which command 124 MPs have said they will either support the government in a vote of confidence, or simply abstain.

Foes become partners, Page 3

ICI plans number of acquisitions in financial overhaul

By Jenny Luesby in London

Imperial Chemical Industries, the UK-based chemicals company, said yesterday that it would hit the acquisition trail in an effort to boost its "under-utilised" balance sheet.

The first announcements are likely to come from Asia, where Mr Charles Miller Smith, chief executive, is holding talks over the next four weeks. The group is also thought to be be interested in Eastman Chemicals of the US, which produces PET, the polyester-based plastic that is one of ICI's core businesses.

The announcement came as it was disclosed that ICI had brought in management consultants McKinsey to overhaul its financial and tax structures. City of London analysts are warning that the company looks vulnerable to a takeover.

The acquisitions programme will be part of what Mr Miller Smith called "a massive assault on the way we do business" in which the company's financial and tax structure were "being turned over".

The group's negligible gearing – just 2.2 per cent at the end of last year – was set to change significantly, said Mr Alan Spall, finance director. If acquisitions were constrained by the group's demanding return on assets criterion of 20 per cent, another option would be a share buy-back.

ICI has confirmed it is considering this, "but as a UK financially based company there is a tax disincentive in the form of ACT [advance corporation tax]", said Mr Spall.

Similarly, he said, there was a tax disincentive to investment outside Britain. This is a particular problem for ICI: the group sanctioned £1.2bn ($1.8bn) of capital spending last year of which only a small proportion was in Britain. However, there were "schemes" for resolving this problem, said Mr Spall.

Another problem for the group in the UK is its market valuation. Chemical companies are rated lower in the UK than in mainland Europe and the US, with the UK sector currently at a 10-year low against the US.

It may have been this that prompted ICI to register its last public spin-off, EVC, in Amsterdam rather than in London.

Meanwhile, ICI's market capitalisation of £6.5bn is equivalent to less than 60 per cent of forecast sales for this year. The share is the cheapest in the chemicals sector.

Bus bombing

Continued from Page 1

strike again if attacked. Hamas said a political dialogue with Mr Arafat and the Israeli government would be the only way to guarantee real peace and security between Arab and Jew. Israel last Friday refused to negotiate with Hamas and placed the responsibility for containing Hamas firmly with Mr Arafat.

The opposition Likud party has been strengthened by the attacks in a country where personal security will be the number one election issue.

Unions warn Australian winner on pay

Continued from Page 1

had a 13-seat majority. The scale of the win surprised even the coalition's staunchest supporters, although it was not out of line with some recent opinion poll indications.

The swing against Labor came in all six states and was put nationally at more than 5 per cent. Mr Howard, who unsuccessfully contested the 1987 election and two years ago admitted that he had given up hope of becoming prime minister, described the victory as "a magnificent win" and "an emphatic mandate".

However, in a brief victory speech on Saturday night, he also pledged that uniting the Australian people would "be the cornerstone of my approach to government".

The coalition's campaign agenda included promises to sell off part of Telstra, the government-owned telecoms group, and to reform the labour market.

But it fell short of the radical agenda offered three years ago, and included a A$6.3bn ($4.76bn) package of new spending promises, spread over three years.

Yesterday Mr Howard confirmed that Mr Tim Fischer, leader of the National party, would be his deputy, and that Mr Peter Costello, deputy leader of the Liberal party, would be the new treasurer. He is expected to announce his full ministerial team on Wednesday.

Mr Paul Keating, the outgoing prime minister, made a dignified exit speech within a few hours of the polls closing.

He said he would not be re-contesting the party leadership and is widely expected to retire from politics altogether.

THE LEX COLUMN

Liberal landslides

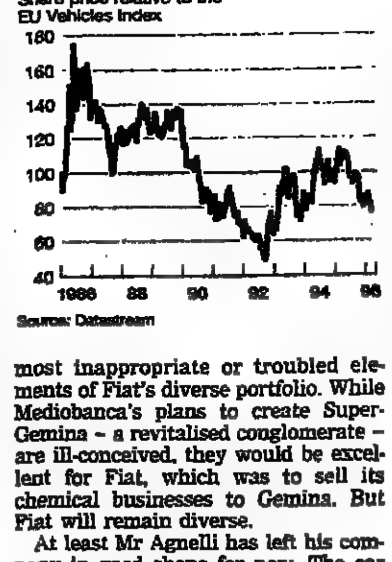
Australia's financial markets will probably give a euphoric reception to the Liberal-National coalition's sweeping victory in Saturday's elections. But there is little in Mr John Howard's policy platform to merit enthusiasm. The Liberals' traditional commitment to labour reforms and tackling the budget deficit was noticeable by its absence from pre-election pledges. Since Mr Howard looks unlikely to gain control of the parliament's upper house, the Senate, he will struggle to introduce stronger medicine. Even some of his promised hand-outs may be sacrificed, due to rising expectations for the budget deficit.

Some sectors of the stock market should flourish under the new government. Mr Howard is likely to address restrictions on cross-media ownership, and also bank ownership rules, opening the way to corporate activity in both sectors. Amendments to the Native Title Act, covering land rights of aboriginal groups, is expected to be supportive for the mining sector, which has numerous disputes over land rights. The transport sector, which has been weighed down by a powerful union, would be a significant beneficiary of any moves to dilute workers' protection.

Nonetheless, stock market euphoria will probably be short-lived. The unions are already threatening war, and Mr Howard will have to tread carefully to avoid costly strikes. Besides, with corporate earnings growth expected to be in negative territory in the year to June and profit margins in Australian industry returning to recessionary levels, there is every reason for caution.

Fiat

Share price relative to the EU Vehicles Index



Source: Datastream

Fiat

The changing of the guard at Fiat last week follows dramatic management changes at Volvo and Daimler-Benz. And Fiat looks like a prime candidate for their brand of restructuring. Around £5bn of last year's revenues came from businesses wholly unrelated to the auto industry. Even its auto operations look too diverse. The lorry division, Iveco, has a declining market share, and might be worth more to a larger competitor.

However, revolution is unlikely. Mr Cesare Romiti, who has replaced Mr Gianni Agnelli as chairman, is very much his predecessor's man. Moreover, he is a caretaker. Another Agnelli is likely to take the helm when he retires in 1998. Mr Romiti should continue the process of selling the most inappropriate or troubled elements of Fiat's diverse portfolio. While Mediobanca's plans to create Super-Gemina – a revitalised conglomerate – are ill-conceived, they would be excellent for Fiat, which was to sell its chemical businesses to Gemina. But Fiat will remain diverse.

At least Mr Agnelli has left his company in good shape for now. The car division has had two great successes in the Punto and Bravo/Brava. And Fiat's development of a world car is a far more innovative approach to emerging markets than that of its rivals. But it must face up to increasing competition in Europe, especially in Italy, where the European Commission will lift competitive barriers by the end of the decade. The best way to ensure Fiat has the capital to compete would be to relinquish its ambitions as an industrial conglomerate.

Pharmaceuticals

After a tumultuous two years, consolidation in the drug industry has ground to a halt. There appear to be two reasons for this. Many of the logical deals have been done and vulnerable second-liners such as Wellcome, Fisons and Marion Merrell Dow have disappeared. Second, drug volumes rose by an unexpectedly healthy 10 per cent in 1995 and most share prices have jumped by more than 40 per cent. This has given drug company managements a breathing space.

But there is powerful pressure for further rationalisation. Sustainable volume growth is probably no more than 5 per cent and margins are coming under pressure as big managed care buyers demand hefty discounts. Meanwhile, the cost of a new drug is now close to $300m. That means only those with huge economies of scale can survive. But Glaxo Wellcome, the world's number one, has a market share of just 6 per cent.

The next round of consolidation is likely to feature more all-share mergers, since they preserve balance sheet strength and avoid heavy goodwill write-offs. The success of Pharmacia & Upjohn, whose combined market value has risen from $13bn before their merger to $22bn now shows investors will rapidly give credit for expected synergies. But a big acquisition cannot be ruled out if one of the top companies decides to challenge conventional thinking on goodwill or acceptable debt levels. A combination like Glaxo/Eli Lilly or Roche/Zeneca would force rivals to react. All bets would then be off as drug companies scrambled for partners.

UK takeover rules

The cornerstone of Britain's Takeover Code is the principle that all shareholders of a target company should be treated equally. But Mr Alastair Defriez, the former Warburg corporate financier who becomes the Takeover Panel's director-general this morning, knows well that this is not always so. One of the hottest issues he will have to address stems from Trafalgar House's failed bid for Northern Electric, which be defended in his old job. The controversy relates to Trafalgar's use of "contracts for differences" – a type of derivative involving a bet on where the share prices of Northern, and several other electricity companies, would move after the bid was announced. It did not take the brain of a rocket-scientist to work out that the shares would rise, giving Trafalgar a one-way bet.

Although such bets are not illegal, they are a type of insider trading. So the panel should have little trouble deciding they should be banned. Sadly, more than a year after the event, it has yet to reach a conclusion. The panel seems to have got itself into a twist because its code allows a bidder to buy shares in a company before launching an offer. Since bidders can enjoy a one-way bet by buying actual shares, the logic runs, why should bets using derivatives be picked on? The simple answer is to ban one-way bets involving actual shares too. After all, snapping up shares in a target company before launching a bid contravenes the principle that all investors must be treated equally. Hopefully, Mr Defriez will help the panel understand this point.

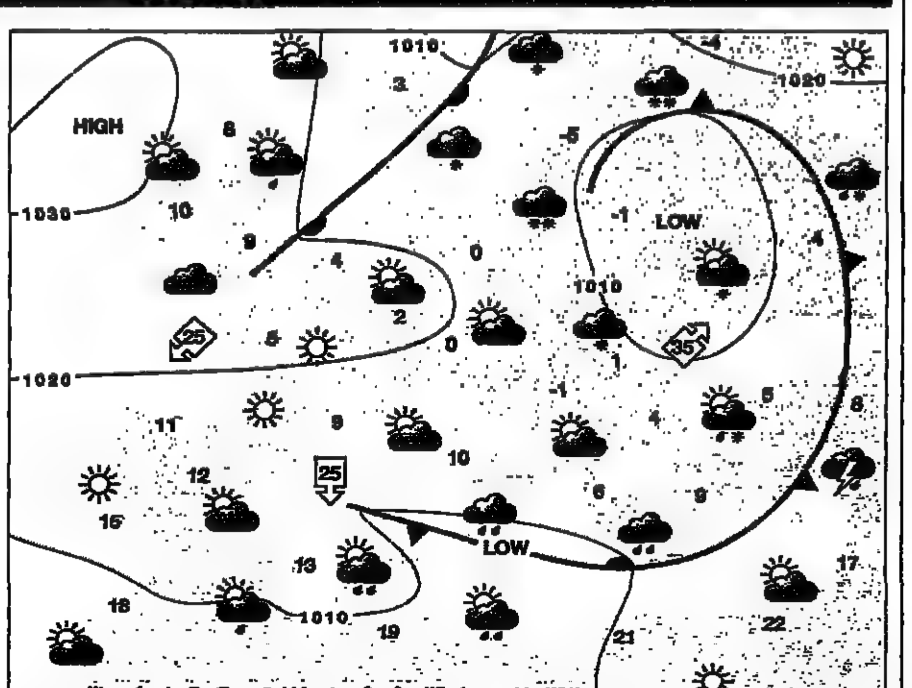
FT WEATHER GUIDE

Europe today

A stationary ridge of high pressure from the north-west of Ireland to southern Germany will bring calm conditions to most of central and western Europe. The British Isles, Germany, France and the Iberian Peninsula will have sunny spells and most areas will stay dry. The Benelux and eastern England will be mainly cloudy with some light rain and snow.
Eastern Europe will be influenced by a gradually weakening depression over the Ukraine which will bring cloud and some snow to the north-eastern Balkans, the Ukraine, Belarus and western Russia.
Southern Scandinavia will have local snow and temperatures will be around or just above freezing. The central and eastern Mediterranean will have numerous showers, some of them thundery.

Five-day forecast

High pressure over the Atlantic will move to southern Scandinavia forcing the air flow to become easterly over Germany, the Benelux, the UK and most of France. This will bring lower temperatures by the weekend and patches of cloud will at times be accompanied by snow or rain. The central and eastern Mediterranean will remain unsettled.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

Maximum Celsius

Abu Dhabi	fair	29
Accra	cloudy	32
Algiers	cloudy	14
Amsterdam	drzzl	5
Athens	thund	10
Atlanta	sun	22
B. Aires	fair	24
B.ham	fair	9
Bangkok	fair	33
Barcelona	cloudy	11
Beijing	sun	12
Belfast	fair	9
Belgrade	snow	-1
Berlin	fair	2
Bermuda	fair	16
Bogota	shower	19
Bombay	sun	33
Brussels	sun	4
Budapest	fair	0
C.hagen	cloudy	3
Cairo	sun	23
Cape Town	fair	24
Caracas	fair	29
Cardiff	drzzl	10
Casablanca	fair	17
Chicago	shower	3
Cologne	sun	3
Dakar	cloudy	27
Dallas	fair	23
Delhi	cloudy	26
Dubai	fair	29
Dublin	fair	10
Dubrovnik	fair	6
Edinburgh	sun	9
Faro	fair	16
Frankfurt	fair	4
Geneva	sun	4
Gibraltar	fair	15
Glasgow	fair	10
Hamburg	cloudy	4
Helsinki	fair	-5
Hong Kong	fair	21
Honolulu	cloudy	27
Istanbul	fair	5
Jakarta	fair	31
Jersey	drzzl	7
Karachi	sun	31
Kuwait	fair	21
L. Angeles	cloudy	19
Las Palmas	shower	21
Lima	fair	26
Lisbon	sun	15
London	drzzl	9
Lux.bourg	sun	3
Lyon	sun	6
Madeira	rain	17
Madrid	fair	12
Majorca	fair	13
Malta	shower	14
Manchester	fair	10
Manila	fair	32
Melbourne	fair	25
Mexico City	sun	24
Miami	fair	24
Milan	fair	9
Montreal	fair	-6
Moscow	snow	-3
Munich	snow	-1
Nairobi	fair	28
Naples	fair	8
Nassau	fair	26
New York	fair	4
Nice	fair	10
Nicosia	shower	15
Oslo	fair	2
Paris	sun	3
Perth	fair	26
Prague	cloudy	-1
Rangoon	sun	33
Reykjavik	rain	7
Rio	fair	32
Rome	fair	9
S. Frsco	shower	15
Seoul	sun	5
Singapore	cloudy	31
Stockholm	cloudy	0
Strasbourg	fair	3
Sydney	fair	25
Tangier	fair	16
Tel Aviv	fair	18
Tokyo	cloudy	10
Toronto	fair	-1
Vancouver	rain	5
Venice	fair	7
Vienna	snow	0
Warsaw	fair	-4
Washington	cloudy	7
Wellington	cloudy	16
Winnipeg	fair	-17
Zurich	fair	1

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FINANCIAL TIMES
COMPANIES & MARKETS
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Monday March 4 1996

BT dispute with Telefónica intensifies

By Christopher Price in London

British Telecommunications has complained to the competition authorities in Madrid over the behaviour of Telefónica, the Spanish state telecoms group.

The UK company, which operates in Spain through a joint venture with Banco Santander, has accused Telefónica of using confidential information to lure its customers away through cheaper prices.

BT yesterday described its action as "a shot across the bows" and follows growing frustration at the failure of the two groups to resolve their differences.

BT leases private circuits from Telefónica to connect clients. The UK group claims that one of the anti-competitive practices pursued by its Spanish rival is in delaying the leasing process, during which time it will approach BT's clients and offer the service at a lower price.

BT also accuses Telefónica of overcharging it for the leasing service.

Under Spanish and EU law, BT can only operate a licence to carry non-voice traffic. Its fledgling service focuses on data traffic which has attracted about 600 corporate customers.

However, BT is keen to apply for a voice licence, as soon as legislation allows, and the complaint to the tribunal shows it intends to provide for fair competition. Full liberalisation of EU telecoms is planned for January 1998.

"We have made this complaint after repeated attempts to settle the dispute have been frustrated," BT said. "It is a warning against those incumbent telecoms utilities which are digging their heels in over competition."

Other overseas telecoms groups are also understood to be considering action after encountering similar problems to BT.

BT has been operating in Spain since April 1993 and has invested about £75m ($113m) in its joint venture. It employs 200 people. When it launched in Spain, the BT-Banco Santander data transmission company aimed at capturing up to 20 per cent of the domestic market.

Investment in the venture, which is building on Santander's Megared data company, will be about Pta80bn ($625m) spread over 10 years.

A mark of Telefónica's concern over the threat from the new group was signalled by the counter launch of its own data transmission network shortly after the BT incursion.

BT has had several difficult encounters with the regulatory authorities in the UK over competition issues. The latest, over new powers being sought by Oftel, the *industry regulator, could be referred* to the UK Monopolies and Mergers Commission.

Telefónica, which has recently undergone partial privatisation, has strong overseas ambitions which has brought it into competition with other state-owned telecommunications groups.

Japanese banks face return of lending premium

By George Graham, Banking Correspondent

Japanese banks are once again having to pay a premium for borrowings in the interbank market as nervousness over the weakness of Japan's financial system increases ahead of the March 31 financial year end in Tokyo.

Senior European bankers said the "Japan premium", where Japanese banks are asked to pay steeper interest rates than competitors with the same rating from international credit agencies, had re-emerged in the last two weeks.

Last October and November, the premium stretched as wide as 50 basis points, but it had almost disappeared by the beginning of this year.

Now, however, Japanese banks were being asked for a premium ranging from three to 12 basis points, dealers said. *Top Japanese bankers based in* Europe acknowledged they had seen a re-emergence of the premium, but said lending banks were showing more differentiation between weak and strong banks than they did last year.

European banks confirmed this, and said they were assessing the balance sheets of the Japanese banks to which they lend. "We are being very selective about which banks we deal with," said one senior UK banker.

Published balance sheets are often unduly optimistic about the quality of their assets, but Japanese banks are being urged to present a more realistic picture when they publish their accounts at the end of this financial year by writing off loans that by international standards are in default.

Mr Martin Taylor, chief executive of the UK's Barclays Bank, last month offended many Japanese bankers by telling them in Tokyo that their credibility would suffer if they did not write off their suspect loans in one hit.

Some analysts calculate that none of Japan's top 21 commercial banks would be able to meet the minimum international capital ratio of 8 per cent if they wrote off a realistic proportion of their officially *published Y23,500bn ($219bn)* of bad debts. Others estimate that two or three would come up to the mark.

Japanese banks have had particular difficulty in funding their D-Mark needs, and some bankers complained that dealers at the leading German banks had sought to exploit them. More galling still, some Italian banks have been particularly aggressive in demanding a premium.

"This is outrageous. There has never been an Italian premium, though they have just as many weaknesses as us," said one senior Japanese banker based *in London*. But some of the stronger Japanese banks have also found a profit opportunity by lending to their weaker brethren at higher than usual interest rates.

"If people are reluctant to lend to other Japanese banks, I am delighted to take advantage of the premium," commented one Japanese banker in London.

A recent analysis by the *Bank for International Settle*ments in Basle confirmed Japanese banks had experienced funding difficulties last year, cutting their international borrowings from other banks by an estimated $100bn or 11 per cent in the third quarter.

However, the BIS concluded the difficulties caused by the Japan premium had not been insurmountable; Japanese banks had been able to fund their overseas operations by tapping the domestic money market or by liquidating their short-term euromarket assets.

Compaq squeezes regional PC rivals

The US group is responding to increased competition with a further round of price cuts

The personal computer industry is geared for growth. But last week there were warnings that two of the biggest markets, the US and Germany, could be stuttering.

Escom of Germany warned of slower growth in its domestic market. And in the US, Compaq Computer, the world's largest PC manufacturer, surprised investors by revealing disappointing February sales.

The US group said it would respond by *cutting prices* and costs. But falling prices and margins have raised fears of an end to the recent bull market in US technology stocks. Following the announcement on Friday, Compaq's share price plunged more than 17 per cent to $41⅞ as the sell-off spread throughout the sector.

Today, Compaq is expected to launch a range of desktop computers for the corporate market with prices that undercut those of its competitors.

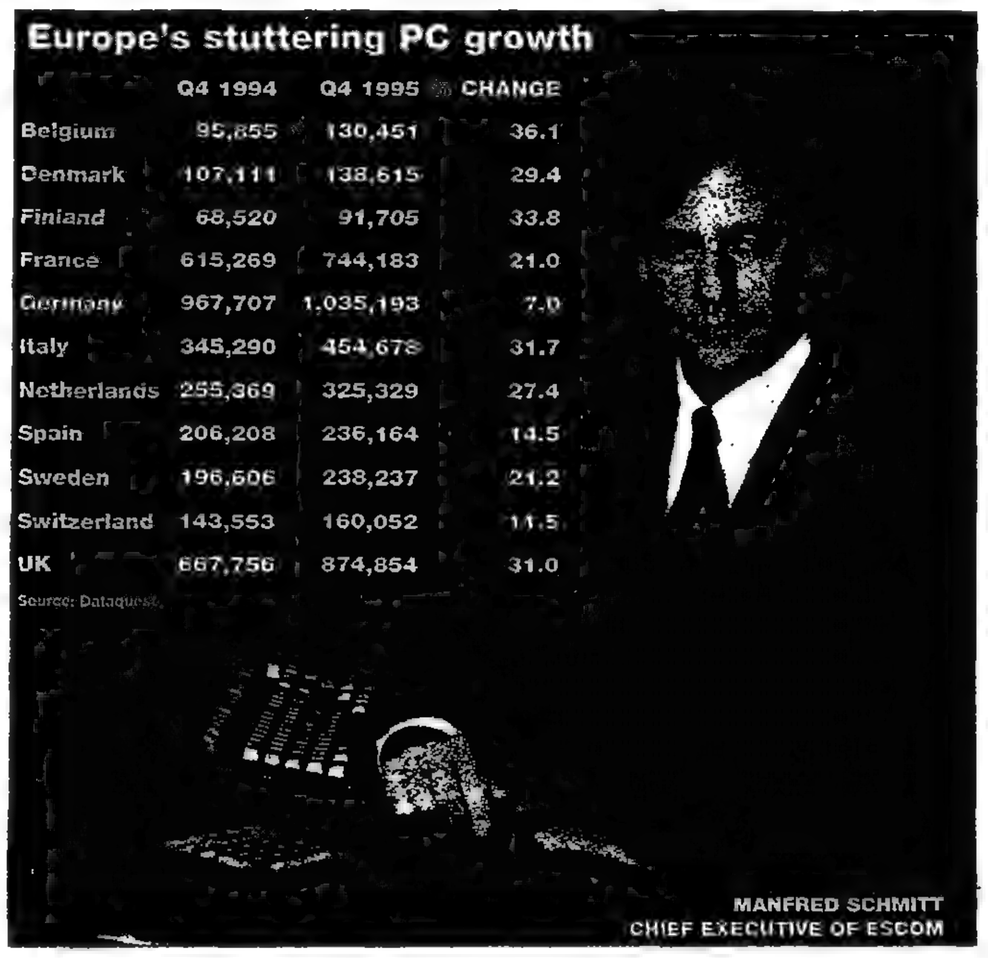
Later this week, it will also cut prices and launch new PC servers – high performance computers that are linked to *networks of desktop PCs*. The aim is to meet an aggressive first-quarter target of 35 per cent sales growth.

With world PC sales expected to grow by about 20 per cent this year, Compaq must steal sales from competitors.

Europe's stuttering PC growth

	Q4 1994	Q4 1995	% CHANGE
Belgium	95,855	130,451	36.1
Denmark	107,111	138,615	29.4
Finland	68,520	91,705	33.8
France	615,269	744,183	21.0
Germany	967,707	1,035,193	7.0
Italy	345,290	454,678	31.7
Netherlands	255,369	325,329	27.4
Spain	206,208	236,164	14.5
Sweden	196,606	238,237	21.2
Switzerland	143,553	160,052	11.5
UK	667,756	874,854	31.0

Source: Dataquest



MANFRED SCHMITT
CHIEF EXECUTIVE OF ESCOM

In Europe, Escom has blamed a higher-than-expected DM125m ($84m) loss in 1995 – and the need for a DM100m infusion of new finance – on *slowing PC sales growth*, price cuts and stock write-downs. Escom's problems in part reflect the weak 7 per cent growth in PC sales in Germany in the fourth quarter.

A slowdown in PC sales in markets such as the US and Germany could have widespread repercussions. The $120bn-a-year (£79m) PC market is a primary driver of growth in semiconductor sales, which grew by almost 40 per cent last year.

Doubts about the strength of some segments of the PC market began to emerge this year when Apple Computer and AST Research reported losses.

Until now, however, it has appeared that the PC industry's problems have been limited to the fickle consumer. While sales of home computers over Christmas were strong, in some markets they failed to live up to the inflated expectations of the industry, according to analysts.

Just under 60m PCs were shipped in 1995, up about 25 per cent. But in the US, growth was a more modest 21 per cent prompting some analysts to *suggest that* PC sales in the more mature markets could be approaching saturation levels. Dataquest has forecast worldwide PC sales growth of 19.5 per cent in 1996 with US sales growing just 13.5 per cent.

Despite this, it came as a shock to Wall Street when *Compaq* – the blue chip of the industry – said February sales to North American corporate customers had not met anticipated growth levels.

Compaq tried to allay fears of broad slowdown in PC sales. "People are wanting to suggest that there is a demand issue here... but we think it is still a strong market," says Mr Daryl White, Compaq chief financial officer. Rather than sluggish demand, Compaq faces intense competition.

Analysts said renewed efforts by some of the world's largest computer companies to increase their shares of the PC market were putting pressure on Compaq. In particular, Compaq was feeling the heat of *competition in the market for* PC servers where it is the dominant supplier with an estimated 36 per cent share.

IBM's PC server sales grew 29 per cent in the fourth quarter versus the same period in 1994, IBM said.

For Compaq, maintaining leadership in the corporate segment of the PC market is critical because these sales carry higher profit margins than sales through retail channels.

Compaq's tactics will spark off a price war as competitors respond with matching or deeper price cuts. The result would be a decline in profit margins throughout the industry, analysts said. Already, PC manufacturers have seen profit margins plummet from an average of about 40 per cent of revenues to less than 20 per cent over the past three years.

That slide was precipitated, in large part, by Compaq's 1992 decision to sacrifice profit margins for market share growth. As PC prices fell by about 30 per cent, Compaq rose from fourth place in the world PC market to first place by 1995. Now Compaq appears to be determined to do it again – driving down prices and profit margins to maintain its market leadership.

The result, say analysts, could be a broad shake-out in the PC industry. Smaller PC manufacturers look vulnerable. In particular, regional suppliers, such as Escom, are likely to come under pressure.

The European PC market is dominated by global manufactures such as Compaq and almost all the indigenous PC manufacturers including Olivetti, *Bull and ICL have been* losing money.

"In order to compete you have to be a global producer," says Mr Andreas Barth, Compaq's European senior vice-president.

Ironically for Escom, its problems in part reflect its ambitious international expansion programme. Last week, Escom acknowledged the expansion had led to higher initial costs than planned. Escom said it now viewed 1996 "as a period of consolidation".

Such retrenchment appears to leave the way open for the big global brand manufacturers, such as Compaq with their deep pockets and sophisticated marketing techniques, to strengthen their hold over the maturing markets of the West, while looking for growth in emerging markets.

Louise Kehoe and Paul Taylor

INSIDE

BET/Rentokil

In its defence against Rentokil, BET is expected to point to the performance of its textile services division. Graham Kettle, director for textile services, claims the division has achieved high margins for the industry and has invested heavily in sales and marketing. But Clive Thompson, chief executive of Rentokil says: "Our managers have increased *margins before at* businesses which were performing above the industry average."

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Fund Management

The FT today starts a weekly column on fund management, which will focus on the business and investment issues facing the industry around the world. In the first article, Norma Cohen looks at the recent spate of takeovers in the sector, and asks whether a change of ownership is likely to affect the investment performance of a house, for better or for worse. Page 22

Faces

A new Monday diary, focusing on personalities and events in the financial world, begins today. What lies ahead for Jobst *Wellensiek as he takes the* Bremer Vulcan hot seat? Why did Andre Sharon, head of European research at Merrill Lynch, face a staff revolt? And where is David Band (above) taking BZW for its 10th birthday party? The answers are in Faces.

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Normandy Poseidon

Harry Oppenheimer and Robert Champion de Crespigny have had a warm and wonderful relationship for 10 years. But on Friday Oppenheimer's Anglo American Corporation sold its 19 per cent shareholding in Normandy Poseidon – an unfriendly gesture that *could not have come at a* worse time for de Crespigny. Page 21

STATISTICS

COMPANIES IN THIS ISSUE

New Aids drugs primed for US

By Daniel Green in London

A package of powerful new Aids drugs is likely to go on sale in the US following approvals from the US Food and Drug Administration.

On Friday, the FDA approved ritonavir, made by Abbott Laboratories, for people seriously ill with Aids.

The FDA advisory panel, whose *recommendations are usually* adopted, also said that indinavir, made by US company Merck should also be approved.

Mr David Kessler, FDA Commissioner, said ritonavir "provides real hope for patients with Aids. Patients will live longer".

Its approval came in a record 72 days – and the day after the advisory panel recommended it.

Both new drugs are members of a new and promising class of Aids treatments called protease inhibitors. The first protease inhibitor, saquinavir, made by Switzerland's Roche, was approved in December 1995, although the FDA said it was weaker than others then in the pipeline.

London stockbroker Lehman Brothers forecasts annual sales of $50m-$250m a year for each protease inhibitor.

Older Aids drugs, called nucleoside analogues, inhibit the early development *of HIV, the virus that causes* Aids, while the protease inhibitors attack the disease in its more advanced stages by interfering with an enzyme crucial to the survival of the virus.

The FDA said data on ritonavir showed it could reduce HIV disease progression and mortality in people with an advanced infection.

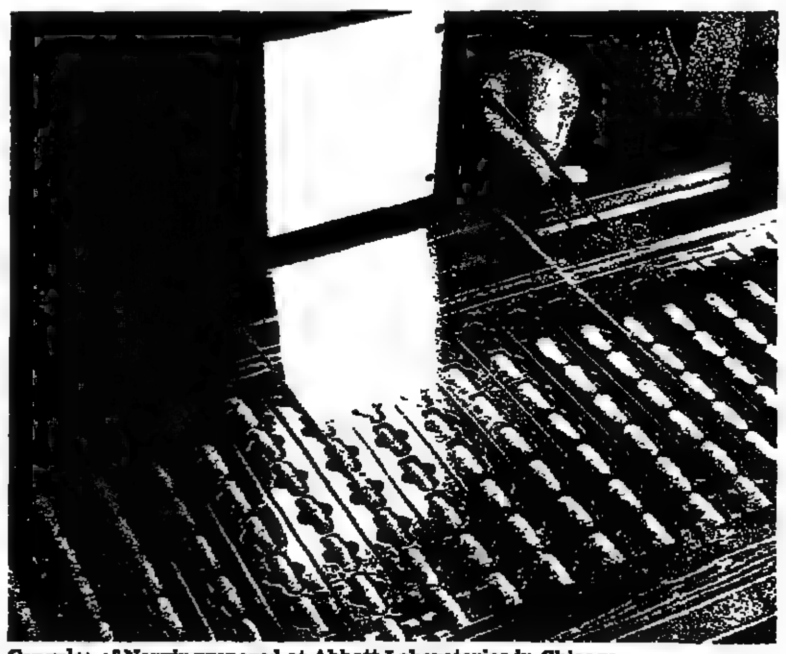
Abbott studied 1,090 advanced Aids patients, giving half ritonavir and half a placebo. The ritonavir patients had a 55 per cent lower risk of worsening or dying for at least six months.

Abbott also tested 346 healthier patients who had never tried other Aids medicines. They received either ritonavir alone, standard therapy with AZT, made by UK company Glaxo Wellcome, or a combination of the two.

Ritonavir did not clearly prolong survival, but while the AZT patients' condition worsened, the ritonavir *patients had stronger immune* systems and less virus in their bloodstreams.

Combining drugs is likely to become the standard way to treat Aids, mainly because it slows the virus' ability to mutate to resist treatment. HIV can quickly become resistant to many Aids medicines.

Ritonavir, sold under the brand name Norvir, must be used with caution, doctors warned. It interacts dangerously with other common medicines, from heart drugs to allergy relievers.



Capsules of Norvir prepared at Abbott Laboratories in Chicago

BET defence to focus on textile services

By Geoff Dyer and Daniel Bögler

BET's defence against the £1.9bn hostile bid from Rentokil is expected to highlight the performance of its textile services division as an example of the improvements already achieved by the current management.

The business services group, which has until March 11 to publish its defence, is likely to argue that there are few other ways Rentokil could improve profits at the division.

In an interview, Mr Graham Kettle, BET director for textile services, claimed the division had already achieved high margins for the industry and had invested heavily in sales and marketing over the last two years.

Mr Kettle said: "In the 1980s, cash from the division was used to fund the expansion of the group and in the early 1990s it was used to pay off debts. Now it is being used for organic growth." Rentokil, the industrial services group which published the offer document for its bid last Monday, refused to be drawn on specific plans for BET's textile services division.

However Mr Clive Thompson, chief executive, said: "Our managers have increased margins before at businesses which were performing above the industry average." He pointed to the example of Tropical Plant Rental, which had been the leading US company in the sector when Rentokil acquired it in 1988. Since then margins had been improved from below 10 per cent to nearly 22 per cent.

He added that Rentokil could reduce costs by using the organisation for its healthcare business to run BET's textiles division.

Outlining BET's strategy, Mr Kettle said that margins had risen from 14.8 per cent in 1993-94 to 16.7 per cent in the first half of the current financial year, making them the highest in the group and in the top quarter of companies in the industry.

Over the last two years, capital expenditure had been 127 per cent of depreciation and return on capital was 33 per cent in the first half. Productivity had been improved so that each of the division's 1,000 vehicles made on average 80-90 visits to customers a day.

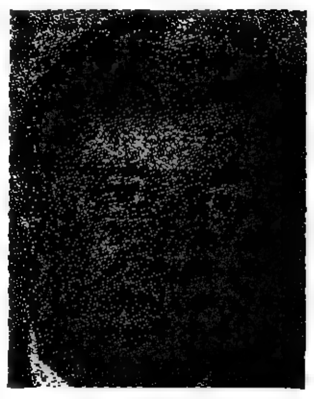
Analysts are forecasting that the textile services division will make profits of £12m in the year to April 1, at a margin of about 17 per cent.

Mr Nigel Utley, analyst at Greig Middleton, said: "It is hard to see where Rentokil will improve the business, although it has shown before that it can raise margins whatever."

Mr Charles Pick, analyst at Panmure Gordon, said that in the late 1980s it had been common for BET's textile business to record margins of over 20 per cent, although this had been using different accounting rules.

Aiming to turn lossmakers into winners

Neil Buckley on how two entrepreneurs have built up retail empires



Stephen Hinchliffe (left) and Philip Green: conscious of City scepticism about their chances of success, but are defensive

In a retail sector dominated by large, quoted groups, an unusual phenomenon has been occurring. In recent years, two entrepreneurs with somewhat controversial pasts have quietly assembled retail empires with combined turnover approaching £1bn.

Store chains controlled by Mr Philip Green – who added discount chain Mark One to his portfolio this week – and the Facia group, owned by Sheffield-based Mr Stephen Hinchliffe, are now the UK's biggest privately-owned retail groups after C&A and Littlewoods. As to who is bigger, Mr Hinchliffe claims to have more stores; Mr Green higher sales.

They have achieved their feat by buying up poorly-performing and lossmaking chains at knock-down prices, often from larger groups keen to be rid of them. But where did they – and their money – come from? More importantly, can they make a success of the mixed bag of businesses they now control?

For Mr Green, 43, this is the second time he has built up a retail empire. The fast-talking, mobile phone-toting north Londoner rose to prominence, appropriately, in the boom years of the 1980s when he led the £5.5m takeover of Amber Day, then a struggling men's wear group. He returned it to profits, and made it a star stock market performer, in two years.

By 1992, however, he was forced to resign, after the £47m acquisition of Scottish discount chain What Everyone Wants, led to a fall in profits and the share price – the latter exacerbated by a series of unfavourable press reports of Mr Green's associates and deals.

The experience left him deeply suspicious of the City, and convinced he is not suited to a quoted-company environment. He aims to keep his new businesses privately-owned.

"Maybe I get misunderstood," he says. "Maybe I talk too much."

Mr Green did not wait long to begin his comeback. Proceeds from selling his 10 per cent Amber Day stake in April 1993 bought Parker and Franks, later transformed into the Xceptions discount chain. In December 1994, Mr Green acquired Owen Owen, the UK's fifth-largest department store chain, including names such as Lewis's of Manchester. In April 1995, he bought One-Up, the discount chain later sold to Primark.

Three months later came Owen & Robinson, which was put into administration and then sold last month after Mr Green reached a voluntary agreement with creditors on a refinancing. Last autumn, he bought the Olympus sportswear chain from Sears, with Mr Tom Hunter, who runs the Sports Division chain. This month's acquisition of Mark One has brought his businesses' turnover to £500m, and employees to 10,000.

He will not reveal the total cost of the businesses, saying only they were funded from "conventional bank facilities and private cash". But the buying spree, for the moment, is over. "It's time to consolidate. There are some interesting things around, but we have to make the stores we have already got work."

By fine-tuning product offers, exploiting the overlap of suppliers across the chains, and renegotiating expensive leases, Mr Green is convinced his group can be profitable.

Analysts' views are mixed. "[Mr Green] is a real trader, and drives a hard bargain," says one. "But there's more than that to running a retailer." The creation of Facia also marks something of a comeback for the 45-year-old Mr Hinchliffe.

The imposing, fair-haired Yorkshireman emerged as a master deal-maker in the 1980s, when he had computer and property interests, and was instrumental in the buy-in/buy-out of Wades furniture stores from Asda, ending up with a 40 per cent holding. Wades was sold to Waring and Gillow for £7.8m in 1987.

Mr Hinchliffe reversed his computer company into Lynx Group in 1989, in exchange for a 25 per cent stake, and became chairman of the new parent group Lynx Holdings, before leaving after disagreements in 1992.

His retail ambitions emerged in August 1994 when he bought the lossmaking Salisbury's chain from jewellery group Signet for £3.18m. Sock Shop followed in October, and then Torq, the jewellery chain bought from the receiver, and fashion chain Red or Dead, bought for a "substantial cash sum" in January 1995.

In quick succession, Mr Hinchliffe added Oakland Menswear, Contessa, the lingerie chain, Colibri of London, the men's accessories company, and French & Scott, the cosmetics and toiletries group. By summer he was snapping up 245 shops in the Freeman Hardy Willis, Trueform, and Mansfield footwear chains from Sears. He added a further 134 Saxone and Curtess shoe shops from Sears last month.

The acquisitions have left Facia – of which Mr Hinchliffe owns 100 per cent – with 900 stores, 7,700 employees, and annual sales of more than £300m. "We have reached critical mass," he says, but does not rule out further acquisitions. A women's wear retailer has several times been mentioned as a possibility.

Mr Hinchliffe affects irritation when asked how he can turn around his underperforming chains. He says he has not bought "wrecks", but "well-established businesses which have lost their way".

"Everyone misses the point," he says. "What we have not done is buy the [head office] overheads as well. We have bought chains of stores with sizeable contributions.

His formula for turning the businesses around is similar to Mr Green's – establishing a leaner head office operation than the large quoted groups, and refocusing what he believes are strong brand names. His first accounts, published in April, should provide a clue to progress.

Both Mr Green and Mr Hinchliffe are conscious of City scepticism about their chances of success, but are defensive.

"I still think my track record stands up against anybody in the country, in terms of the things I have managed to achieve, and the companies I have bought," says Mr Green.

One last try for Regal buy

By David Blackwell

Regal Hotel Group and Granada will today announce that a final attempt will be made this week to conclude negotiations over the sale of the White Hart hotel chain.

Regal agreed in January to pay £122m to buy 67 of the 72 White Hart hotels then owned by Forte, the hotels group. Granada, the TV and leisure group which took over Forte for £3.9bn at the end of January, had the right to rescind the contract.

However, the two sides have continued to negotiate, extending Granada's right to rescind twice. They will announce today that the deadline of midnight last Friday has been extended by one week.

Mr Charles Vere Nicoll, chief executive of Regal, said yesterday that the negotiations were at an advanced stage, but technical issues were still under discussion. "There is a willing buyer and a willing seller, so one has to believe the technical issues can be resolved."

The deal would transform Regal, which was founded in 1993 with three hotels and now has 22. The group, which gained a full listing in May last year, would quadruple in size, giving it a strong presence at the smaller end of the three-star provincial hotels market.

Mr Nicoll said the group, which would pay in cash, had had a "warm response" from its institutional shareholders and bankers. He added that this would be the last extension of the talks.

The deal would be Granada's first disposal of Forte assets since the takeover.

US Prudential back in the black with $579m for 1995

By Richard Waters in New York

Prudential Insurance of America returned to profit in 1995 with after-tax earnings of $579m, though the giant US insurance and financial services group remains only halfway through the restructuring under way since an overhaul of its top management 15 months ago.

The mutual concern's latest earnings represent a rebound from losses of more than $1bn the year before. However, on a capital base that averaged more than $10bn during the year the results still fall far short of those of its more profitable rivals.

The US group's 1994 results had been hit by the costs of compensating investors in limited partnerships sold by its securities subsidiary in the late 1980s, and by the falling bond market.

Last year, by comparison, the group benefited from the resurgence of the bond market, and from cost-cutting undertaken by the group's new chairman, Mr Arthur Ryan.

Since arriving at the Prudential, Mr Ryan has also pushed ahead with a flotation of the group's reinsurance company and mortgage underwriter and servicer, and cut the company's exposure to catastrophe losses through its property/casualty business.

Though arguably not sold for the best possible prices, these disposals have achieved the desired result of greatly reducing the volatility in Prudential's earnings, said Mr Mark Puccia, a managing director at Standard & Poor's, the US ratings agency.

The Prudential also rebuilt its capital base last year by raising $700m through the sale of surplus notes and $661m in unrealised investment gains. Together with retained earnings, this lifted its capital by $1.9bn from a year before, to $11.5bn.

The stronger financial footing makes the Prudential better able to meet the costs of settling legal claims arising from the sales practices of some of its agents.

Along with several other big US life insurers, the group's sales practices have been under investigation by a number of state insurance commissioners.

The Prudential is expected to agree a settlement running into hundreds of millions of dollars to put the controversy behind it.

Even if the settlement tops $1bn, 'they could easily absorb it,' said Mr Puccia. However, such a large settlement could hurt the group's reputation and damage future sales of insurance products, a concern that made it likely S&P would reconsider the insurer's debt rating if it agrees a big settlement, he added.

Mr Lawrence Mayewski, an analyst at AM Best, the insurance rating concern, said the biggest factor in the Prudential's credit ratings surrounded its "ability to rebuild its earnings momentum". The group was likely to turn in earnings in 1996 roughly in line with the 1995 level, he said.

NEWS DIGEST

Record month for Liffe in February

The London International Financial Futures and Options Exchange (Liffe) saw the busiest month in its history in February, with the number of contracts exchanged rising year-on-year by more than 50 per cent. A sharp increase in volatility in international bond markets was the main reason. "This present phenomenal increase in volume has taken place against a background of uncertainty surrounding European interest rates and turbulence in the US bond market," said Mr Daniel Hodson, chief executive. Trading levels broke the previous record set in February 1994 when rises in US interest rates triggered a big increase in activity.

Liffe also experienced its second busiest day since it opened in 1982, with 1.4m contracts traded on February 20. On March 2 1994 1.6m contracts were traded. The upturn in business follows a fall of some 13 per cent in 1995, mainly as a result of greater stability in international markets following the turmoil of the first half of 1994.

Mr Hodson said the German government bund was now Europe's leading bond contract, with over 5m traded in February. The increase seems likely to strengthen Liffe in its competition with the Frankfurt-based Deutsche Terminbörse. Between seven and eight of every 10 German government bond futures contracts are traded in London. *Richard Lapper*

Kaiser abandons merger plan

A plan to create the world's third largest aluminium producer fizzled out at the weekend when Kaiser Aluminum abandoned its attempt to lure its bigger US rival Alumax into a merger valuing Alumax at up to $2.5bn. Alumax had firmly rejected the offer and reinforced its determination to resist a hostile takeover by instituting a "poison pill" shareholder rights plan.

Kaiser had faced a Saturday deadline to submit proxies to pursue a battle for control of Alumax at the company's annual meeting in May. Mr George Haymaker, Kaiser's chief executive, claimed there had been "every indication" Kaiser would have received "very significant support" from Alumax shareholders for a new slate of directors. "However, such measures initiated by Kaiser would not likely result in a constructive dialogue between the companies," he said.

Richard Tomkins, New York

Elektrowatt in talks on UK sale

Elektrowatt, the Swiss electricity and engineering group, said it is in talks with several potential purchasers for its 42 per cent holding in Eurodis Electron, the UK electronics component distributor, fuelling further speculation that Eurodis Electron faces an imminent hostile bid. Any trade purchaser of the Elektrowatt stake – worth around £100m – would be obliged to make an offer for the rest of the shares.

Elektrowatt, controlled by Credit Suisse, said it was "confident" of finding a buyer for the holding, which was put up for sale in December following the Swiss group's SFr1bn ($830m) purchase of Landis & Gyr, the electronics group. It also put its 29.9 per cent stake in Unitech, the components concern, on the market.

Talks with one party are thought to be at an advanced stage, although Elektrowatt refused to comment. Arrow and Avnet, two US component distributors with strong European ambitions, are thought to be among the interested parties. The company said it had set a summer deadline for the sales.

Christopher Price, London and Thierry Meyer, Zurich

Body Shop statement today

Body Shop International, the UK-based 'green' cosmetics group, plans to issue a statement to the Stock Exchange this morning regarding its founders' plans to buy back the company. Yesterday, it declined to comment on a report in the Sunday Times that Anita and Gordon Roddick, chief executive and chairman respectively, had called off the buy-back plan.

The newspaper quoted bankers as saying it was not a lack of finance which scuppered the deal but that the Roddicks' interest in the buy-back had cooled. Last November, the Roddicks, who floated the business for £4.6m in 1984, said they were in discussions with banks on turning the business into a charitable trust. They appointed Morgan Stanley to arrange the financing. On Friday, Body Shop's shares closed at 148p giving the company a market capitalisation of £281m ($429m).

Antonia Sharpe

Bremer Vulkan loan hopes

Bayerische Vereinsbank, the German bank, has confirmed it is considering granting a loan to Bremer Vulkan, the country's largest shipbuilder, which last month sought protection from its creditors after reporting DM1bn ($678m) losses for 1995, but will impose strict conditions, including an insistence workers would not receive compensation in the case of bankruptcy. If negotiations to extend loans are agreed with Mr Jobst Wellensiek, the court-appointed administrator for Bremer Vulkan, this would be the first time Vereinsbank had granted any credits to the shipping group.

Bremer has outstanding bank debts of over DM1.4bn owed to a consortium of 40 banks headed by Commerzbank. Vereinsbank denied reports in Die Welt am Sonntag newspaper that it would grant a "three-digit-million mark loan, saying the figure was much lower.

Judy Dempsey, Berlin

Navigation Mixte in the red

Navigation Mixte, the French holding company for which Paribas has launched a takeover bid, reported losses of FFr1.507bn ($298m) for 1995, against profits of FFr787m in the previous year. An operating profit of FFr704m was wiped out by two substantial charges. Navigation Mixte also reported a loss of FFr470m reflecting changes in the value of the shares it holds in Allianz Via Holding France, an insurance investment. It is currently pursuing a case against Allianz, the German insurer, in relation to the business. *Andrew Jack, Paris*

Daewoo Electronics ahead

Daewoo Electronics, the South Korean consumer electronics company, reported a 35 per cent increase in net earnings to Won47.2bn ($60m) for 1995 as sales rose by 25 per cent to Won3,126bn. The growth was mainly due to increased exports, which now have higher margins than domestic sales following a recent price war in the domestic market. Daewoo has boosted shipments to developing countries, while accelerating production in the European Union and the US. It has set a 1996 sales target of Won4,000bn, and plans to spend Won1,000bn on research and development. *John Burton, Seoul*

Hyundai Precision up 25%

Hyundai Precision & Industries, one of the world's largest container producers, reported a 25 per cent rise in net earnings to Won23.3bn ($30m) for 1995 as sales rose by 25 per cent to Won1,986bn. Brisk demand for its four-wheel drive vehicle, the Galloper, and higher sales of containers and machine tools contributed to profit growth. It also benefited from a 80 per cent rise in exports to Won511bn. Hyundai estimated sales of Won2,740bn for 1996. *John Burton*

Johnson & Higgins expands

Johnson & Higgins, the large US-based international insurance broker famous for arranging insurance for the Titanic, has launched what it described as an "aggressive" UK acquisition spree with the purchase of a small Scottish broker, Corporate Risk. Mr Dan Jones, head of J&H's European operations, said the deal was a significant step for the privately-owned group because it had previously largely eschewed acquisitions in the UK. He said further deals could follow and did not rule out J&H acquiring a listed UK-based broker. "We have tended to grow on our own. This is an important step for us," Mr Jones said. "Our strategy is to become the dominant player in the large account market place for UK plcs."

Ralph Atkins, Insurance Correspondent

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Move to speed up launch of German digital TV

By Judy Dempsey in Berlin

A multimedia consortium led by Bertelsmann, Germany's largest media and publishing group, has given Deutsche Telekom, the state-owned telecommunications network, the go-ahead to order 100,000 set-top boxes for the launch of digital television later this year.

Set-top boxes decode television signals to allow video on demand, home shopping, banking and other interactive television services.

The Multimedia Betriebsgesellschaft (MMBG) consortium, which includes Deutsche Telekom and Canal Plus, the French commercial television network, wants to speed up the launch of digital television.

US companies regard Germany as an attractive target because it is one of Europe's fastest growing media and television advertising markets.

However, MMBG is still waiting for final approval from the European Commission, which in 1995 blocked earlier plans by Bertelsmann, Deutsche Telekom and the German Kirch media group to create a standard set-top box.

"We are reasonably optimistic we will obtain approval this time," the consortium said.

Deutsche Telekom is today expected to hold a meeting in Darmstadt, its technical headquarters, with five companies, including Philips of the Netherlands and Thomson of France which are competing to secure the contract to supply decoders to MMBG.

"Once the decoders are ordered, we hope we can launch digital television by the autumn," the consortium said. But MMBG will face domestic competition from Kirch.

MMBG failed last month to get Kirch on board, fuelling fears that the domestic market would be split between rival systems. Kirch has ordered 1m decoders from Nokia, the Finnish electronic and telecommunications group.

Despite the breakdown of talks, there are signs that Kirch might join MMBG, but on conditions the consortium might find difficult to accept.

Kirch wants "a common interface system" allowing the consumer access to the MMBG package of programmes and the Kirch package but through one set-top box. The exchange of a module in the decoder would allow the consumer to switch between systems.

"If that system could work, it would give the consumer choice but it would also show which system was more attractive for the market," a media analyst said.

Meanwhile, there are unconfirmed reports suggesting that whether or not Kirch and MMBG reach agreement, Kirch is planning to set up its own digital television consortium, backed possibly by Debis, the services division of Daimler-Benz, and even Vebacom, the telecommunications division of Veba, the industrial conglomerate which has agreed in principle to take a stake in MMBG.

● KPN, the Dutch telecoms group, wants to become a strategic partner in Slovak Telecommunications, the national Slovakian telecoms company, reports AFX News.

Het Financieele Dagblad reported that transport minister Ms Annemarie Jorritsma had discussed this with her Slovakian counterpart Mr Alexander Rezes.

A PTT Telecom spokesman confirmed it was interested in view of its presence in the Czech Republic and Hungary, but said it was much to early to say anything concrete about it.

The company already has a partnership, Isys-spol, with the Slovaks and Czechs, for training and exchange of software and hardware.

Slovak Telecommunications told the paper it was looking for partners to finance its projects.

De Crespigny wrong-footed by Minorco

Anglo American's unit has abruptly ended a 10-year relationship, says **Kenneth Gooding**

What started 10 years ago as a warm and wonderful relationship between Mr Harry Oppenheimer, doyen of the world's mining industry, and Mr Robert Champion de Crespigny, then a brash newcomer in Australia, seems certain to end in recriminations and tears.

Mr Oppenheimer, whose Anglo American Corporation of South Africa is the world's biggest natural resources group, chose Mr de Crespigny as his representative in Australia. In 1987, their association was solidified when Anglo allowed its Australian offshoot to be taken over by Poseiden, then Mr de Crespigny's vehicle for mining expansion.

In the past, Mr de Crespigny has decribed Anglo as "an excellent partner and great supporter". But the relationship was abruptly ended on Friday when Anglo, via its subsidiary, Minorco, sold its 19 per cent shareholding in Mr de Crespigny's Normandy Poseidon group. Most of the stake was taken by Newcrest, another Australian gold group, and analysts assume a bid battle is looming.

Minorco's unfriendly gesture could not have come at a worse time for Mr de Crespigny. He was about to complete a four-way merger between Normandy, Posgold, Gold Mines of Kalgoorlie and North Flinders Mines to simplify his group's complex the structure and, he hoped, enhance its value.

Harry Oppenheimer: unhappy with Normandy's proposed four-way merger

It was this proposed merger that caused the break-up. Minorco sent out clear signals it did not much care for the idea when Mr de Crespigny made the first announcement. It said frostily it was "considering its position".

According to Mr David Fisher, Minorco's finance director, when representatives from the Australian branch of the SBC Warburg investment bank walked in with an offer for the Normandy shares, it was an offer Minorco could not refuse.

When Minorco's small stake in Posgold is included, the Anglo subsidiary will collect US$250m and show a profit on the shareholdings, before tax, of $90m. Minorco can find plenty to do with the cash. It has become the offshore operating arm of Anglo outside Africa and, if all its plans and projects came to fruition, Minorco would have to find about US$2bn in the next five or six years.

Mr Fisher said Minorco had long ago changed from being a holder of minority interests in other mining companies into a hands-on operating group. Yet the Normandy merger would have reduced its stake in the combined Australian group to less than 10 per cent.

He made it clear Minorco was still interested in operating in Australia, one of the most important mining countries in the world.

Analysts suggest there were other potential areas for tension between Minorco and Mr de Crespigny, particularly now he has ambitions to build Normandy into a substantial player in the international arena, not just in Australia.

He made a big leap in this direction last year when Normandy took a 60 per cent stake in La Source Compagnie Minière, a joint venture based in Paris in which state-owned Bureau de Recherches Géologiques et Minières (BRGM) is the minority partner. This enabled Normandy to accomplish an international expansion programme that otherwise might have taken 10 years.

It also took it into mining projects in Africa, opening the way for conflicts of interest with Minorco, but there was no falling out at that time. In fact, it was Anglo that steered BRGM towards Mr de Crespigny when it put out feelers about the joint venture.

It is now 10½ years since Mr de Crespigny set up in the mining business on his own, using A$500,000 accumulated when working for a Perth accountancy firm. Today his family's 11 per cent stake in Normandy is worth about A$110m.

As he built up Normandy, Mr de Crespigny gained a reputation for keeping rivals off-balance with a series of very complex deals. Now it appears that a very simple deal by Minorco has wrong-footed him.

Femsa limits sales downturn to 5%

By Daniel Dombey in Mexico City

Steady demand for Coca-Cola, increased exports of beer, and a quickly growing packaging division helped Femsa, Mexico's largest drinks and consumer group, to limit a sales decline for 1995 to 5 per cent, despite a brutal recession which shrank consumer purchasing power by 21 per cent.

Turnover for 1995 stood at 12.8bn pesos ($1.6bn), while operating profit was 1.27bn pesos, a 16 per cent fall in real peso terms compared with 1994. Net profits for the year of 460m pesos compared with a loss of 706m pesos the previous year.

For the fourth quarter, sales dropped 13 per cent, to 4.7m pesos while operating profits fall 39 per cent to 366m pesos. Foreign exchange losses caused by a falling peso led the company to record a loss for the quarter of 249m pesos.

Despite the severity of the Mexican recession, volumes fell by only 1 per cent and prices remained steady in real terms at Coca-Cola Femsa, the company's soft drink division, in which Femsa has a 51 per cent stake and which provides 35.5 per cent of group sales.

While such figures reflect the relative inelasticity of demand for Coca-Cola in a market where soft drinks are seen as necessities rather than indulgences, analysts said the use of more expensive presentations by Pepsi bottlers may have helped Coca-Cola Femsa increase its market share.

However, Femsa Coca-Cola's Argentinian operations experienced a depressed year, with a 6 per cent fall in volumes. The income statements for Femsa and Femsa Coca-Cola, which is independently listed, were also affected by the companies' conservative calculation of the consequences for the monetary position of debt taken out to invest in the Argentine operations.

By the companies' estimates, without this change, Coca-Cola Femsa's net income for 1995 would have been 95m pesos higher than the 356m pesos recorded.

The more elastic demand for beer in the Mexican market was illustrated by a 3.9 per cent fall in volumes for the year despite price increases of half the 52 per cent rate of inflation for Femsa Cerveza, Femsa's brewing wing which provided 38 per cent of total sales.

However, the company's market share remained steady throughout the year at around 46 per cent, possibly a sign that a more than 10-year decline in market share may have halted.

Femsa Cerveza also increased export volumes 21 per cent, despite a 5 per cent decline in sales in the US, its biggest market.

"Any kind of increase in export base beyond the United States is good news," said Mr Scott Wilkins, an analyst at ING Barings in Mexico City.

Femsa's packaging division, which analysts praise for being one of the most modern in its sector in Latin America, reported sales of 2.6bn pesos, a 32 per cent increase on 1994, and operating profit of 409m pesos. Its retail division, Oxxo, marked up operating profits of 24m pesos.

Disappointing results from San Paulo bank

By John Simkins in Milan

Istituto Bancario San Paolo di Torino, one of Italy's largest banks, reported disappointing results, with net profits for 1995 up only 6.6 per cent at L503bn ($322m).

The comparison is on a pro forma basis, which takes into account the merger during the year with Crediop and Banca Nazionale delle Comunicazione, formerly controlled by the state railways.

San Paolo, under the chairmanship of Mr Gianni Zandano, is at the heart of a powerful banking alliance which includes the banking group IMI and the partially privatised insurance company, Ina. The foundation which is the bank's holding company intends to cut its stake under 50 per cent.

"The results are considerable given that the bank continued to follow a policy of great caution and discipline in 1995." The bank said loan provisions of around L1,250bn had been made, compared with L600bn for 1994, and it now had a solid base on which to improve income.

However, James Capel, the UK stockbrokers, called the outcome "marginally disappointing". Although San Paolo has impressed analysts with its restructuring, the broker had been looking both for higher than reported net profits and a L10 increase in the final dividend. This stayed unchanged at L240 a share, giving a total payout of L196bn.

The tax burden, which totalled L208bn, was reduced due to the exemption of tax on L225bn of profits set aside in line with merger provisions in the Amato Law on banking liberalisation. The bank said that the same fiscal benefits would apply in 1996 and 1997.

The return on equity was 5.3 per cent compared with 4.5 per cent in 1994. A Milan analyst said that this was poor given the low tax burden and that it was also low in comparison with the market sector rate of around 6 per cent.

Milan securities houses said the improvement in gross operating profit, up 13.1 at L1,929bn, also compared unfavourably with 1995 results of some other Italian banks. The sector is recovering from the instability of bond and equity markets and narrowing interest margins of 1994.

Among the big banks, Banca Commerciale Italiana recently raised the dividend on ordinary shares from L125 to L150, on net profits up from L265bn to L342bn, and Banca Nazionale del Lavoro restored its dividend after a seven-year gap.

On Friday, when San Paolo announced its results, which will be presented to shareholders at the end of April, IMI confirmed that it would raise its dividend from L400 to L500. Net profits rose in 1995 from L304bn to L340bn.

New masters and the soufflé effect

A drop in performance often follows a change of owners, says Norma Cohen in this new Monday column

What happens to a fund management house's performance when ownership of the business changes hands? Does it respond like an industrial manufacturer, rejuvenated by new ownership, or is it more akin to a soufflè which collapses if the temperature changes?

A look at some fund management houses which have changed hands recently suggests the latter description may be more appropriate than the former.

Barings Asset Management, which was acquired by ING last year following the collapse of its former parent, is one example. Already entering 1995 with underperformance in UK equities, its median "balanced" portfolio turned in a return of 16.5 per cent for the year, against a median of 19.6 per cent for the industry, as measured by Combined Actuarial Performance Services, a widely used performance measurer for pension funds.

Newton Investment Management, which had enjoyed several years of spectacular returns, sold a 33 per cent to Royal Bank of Scotland in 1994. Newton underperformed the CAPS median by 3.9 per cent in 1994 and by 5.5 per cent in 1995.

Gartmore, the fund management company acquired last month by National Westminster Bank, outperformed competitors most years in the decade to 1993. But in that year its then owner, Banque Indosuez, floated a 25 per cent stake in the company. Since then, its performance has only straddled the median.

The pattern is not unique to the UK. Mellon Bank bought Dreyfus, the mutual funds group in 1994, at a time when more than half the funds in its stable were earning returns better than the average of their respective competitors. In the years since, the percentage of funds in that category has fallen to fewer than half, according to data from Lipper Analytical Services.

Investment consultants who advise pension funds on choice of fund manager have known for years that a change of ownership can signal a dramatic shift in performance. "The change of ownership is the greatest area of concern from a consulting standpoint," says Mr Len Brennan, managing director of investment consultants Frank Russell Co in London.

But he urges caution on clients who may think of switching managers, because the costs of moving from one active fund manager to another will cream roughly

FUND MANAGEMENT

one percentage point off a portfolio's returns for the next year.

There is also no conclusive evidence that a change of ownership necessarily undermines performance. Indeed, there are numerous examples of fund managers which have thrived under new ownership.

Since Deutsche Bank acquired investment bank Morgan Grenfell in 1989, Morgan's once-sleepy fund management arm has become one of the UK's fastest growing houses. US-based Alliance Capital has become one of the world's few international fund management groups since its acquisition by Axa in the late 1980's.

What really matters, consultants say, is the nature of the change.

Little upset is likely, says Mr Brennan, when a passive owner – one which has allowed the fund manager to function more or less autonomously – *sells the business to* another passive owner.

The problem is that few owners are passive. Most, he notes, are hoping for some synergies with their existing businesses. It is the process of merging investment strategies and marketing styles which causes the greatest upset. In the case of Newton, the firm took on the running of a significant number of retail funds on behalf of Royal Bank of Scotland, almost a new enterprise for it. And its funds under management grew sharply.

A difference of investment styles appears to have been a factor in the recent breakdown of talks over the possible acquisition by Friends Provident of British Coal's in-house pension fund manager, CINMan. During takeover discussions it became obvious that CINMan's contrarian style would not fit easily in the Friends Provident mould.

Other consultants note that fund management companies often change hands just at the point that the dynamic managers which run them are approaching retirement age. "The question is whether the management is just cashing in their chips," says Mr Nigel O'Sullivan, partner in the investment practice at actuarial consultants Bacon and Woodrow. Even if these managers are tied into the firm with "golden handcuffs", these may be too old and too rich to care much about how the business grows.

"The problem is we are in a one-generation business," says Mr John Casey, partner at RogersCasey, a Connecticut-based investment consulting firm. "The question is whether they have invested in a younger generation of investment managers. The firms more prone to do less well (after acquisition) are those where the principals are cashing out without having trained anyone to follow them," he says.

These sobering thoughts may dampen the enthusiasm of the insurance companies and banks, some of which are paying historically high prices for businesses which offer considerable risks. After all, poor performance leads to a loss of funds under management and that means lower revenue.

FACES

Wellensiek in the Bremer Vulkan hot seat

In Germany he's known as 'Mr Composition.' Jobst Wellensiek is the 64-year-old lawyer brought in by shipbuilder Bremer Vulkan to oversee Vergleich (composition), a particularly German procedure which attempts to stave off bankruptcy by reducing and rescheduling a company's debts, Judy Dempsey writes.

Wellensiek, who set up as an insolvency expert in Heidelberg in 1964, has been involved in over 350 cases since then and now employs some 70 specialists in the field.

He is a very direct, open man, with a knack of explaining complicated financial affairs in terms the layman can understand. He is sensitive to those whose jobs are on the line, but outspokenly critical when he thinks management has been lax.

His career tracks the decline of some of Germany's industrial giants. In the late 1980s, he dealt with the Bavarian-based Maxhütte steel works, a three-year marathon where he ended up saving 1,600 of the 4,675 jobs. Today, he is winding up Pilz, the east German CD manufacturer which failed to ride out German unification.

Insolvency work pays well: his office has already been given DM10m ($6.8m) by the banks to cover Bremer Vulkan's legal fees. But the shipyard's workers are not complaining: "Legal fees of *DM10m? We don't care. We just want* him to save jobs. We trust him," is a typical comment.

Sharon learns history's hardest lesson

Some liberators are just not appreciated, Nicholas Denton writes. Andre Sharon, head of Merrill Lynch's European research department, was going to free the analysts of Smith New Court. As part of the UK marketmaker, they were at the beck of its dominant sales and trading business; as part of Merrill Lynch, they would have the independence that comes from providing services to several divisions.

But Smith's analysts have proved a surprisingly conservative lot. The erudite Sharon likes reminding people that, when the Bastille was liberated during the French Revolution, some prisoners refused to leave. Just over a week ago, there was a full-scale revolt by some of his analysts. In the management reshuffle which followed, Sharon lost many of his day-to-day responsibilities.

Even Sharon's opponents in the turf war acknowledge his broad mind. He was brought up in Egypt, Jewish by religion, speaking French at home and going to an English-style public school. Most of his career was spent in the US as an analyst at one of the firms that made up Drexel Burnham Lambert. He commands great loyalty from employees who have had the time to get to know him. But Smith analysts have not had that time, and had to cope also with differences of age and culture.

But above all, Sharon was the personification of the global identity and procedure which Merrill is gradually imposing on Smith.

There was not much he could do about that. "Probably I should have explained a little more," says Sharon. "Whether people would have heard is another question."

BZW ages but the Band plays on

It is a decade since London's Big Bang, when the structure of the securities industry was blown into a new shape by the abandonment of fixed commission and the distinction between firms of stockbrokers, who advised investors, and jobbers, who made a two-way market in shares.

At BZW, the investment banking arm of Barclays, chairman Sir Peter Middleton and chief executive David Band don't intend to let the 10th anniversary pass unmarked. The firm – formed from a merger of Barclays Merchant Bank, broker de Zoete & Bevan and jobber Wedd Durlacher – is *taking over the entire set of* banqueting rooms at London's luxury Savoy hotel on May 7.

It is perhaps lucky that Granada, the British media and catering company which numbers BZW among its advisers, succeeded in its hostile bid for hotels group Forte, which has a 68 per cent stake in the Savoy. The investment bank can be excused a soft spot for the hotel – and thoughts of its share of the £140m City advisory fee feast arising from the takeover will no doubt help slow the rush of blood when the party bill is presented.

David Band, chief executive of BZW, has booked the Savoy's entire set of banqueting rooms on May 7 to mark the investment bank's 10th anniversary

Golfer negotiates a Hungarian minefield

There was a sigh of relief all round in Budapest last week when Hungary's Socialist-led government opted for Peter Medgyessy as its new finance minister. The BUX index – which had lost 5 per cent on the resignation of Lajos Bokros a week earlier – soared by 5.8 per cent as foreign buyers switched funds back to the country, writes Virginia Marsh.

Medgyessy, a 53-year-old banker, is well known in both local and international financial circles and analysts rate him as a safe pair of hands to lead Hungary through the minefield of welfare and public finance reform. While considered less dynamic than the charismatic Bokros, former colleagues say Medgyessy is more of a team player and a better communicator than his predecessor, *whose* bluntness and self-confidence irritated many in the cabinet.

Medgyessy, who is due to be sworn in today, is no stranger to the public sector. Before becoming head of Banque Paribas' local operation in 1990, he spent more than 20 years at the finance ministry, which he joined straight from taking a doctorate at Budapest's University of Economics.

He rose through the ranks to become deputy prime minister in 1988 in the last communist-era government, the reformist administration of Miklos Nemeth.

Medgyessy – a rare francophone in a local financial community dominated by English and German speakers – was canny enough to turn down the job last February. He said on Thursday he had accepted this time around because, unlike a year ago, there is no mistaking the Socialists' commitment to reform. Still, Medgyessy, an avid golfer, will have a tough task persuading many in the party, the former communists, to accept welfare and public spending cuts.

Hungary's sixth finance minister in as many years, he says he intends to stay in office until the next elections, due in 1998. But – no doubt with his *predecessors'* track record in mind – he has made sure that, should he have to step down before then, he can return to the Hungarian Bank for Investment and Development, of which he became chief executive after the Socialists' victory in 1994.

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FINANCIAL TIMES MARKETS THIS WEEK

Global Investor / Peter Martin

Timely concept or nostalgic echo?

As Spain's voters pass their verdict on 13 years of Felipe Gonzalez's socialist government, the world's investors long ago voted with their feet.

Between 1985 and 1988, Spain could do no wrong in their eyes. Powered in part by the view that the country was about to become Europe's California – a sun-soaked home for low-cost greenfield manufacturing – the stock market soared in both absolute and relative terms.

Since then, Spain has been firmly out of favour. True, the market outperformed the European average last year but that was largely because of the pan-European strength of two sectors, utilities and banks, both heavily represented in the Spanish index. Sentiment has been consistently negative: any broker trying to paint Spain as Europe's California was wasting his time. Now, with the political climate shifting, is it time to resurrect the concept? Or is it just a nostalgic echo of the 1980s?

In economic terms, the concept looks reasonably plausible. GDP has grown respectably in the past decade; the country has built a big, competitive auto industry; tourism has made brave moves upmarket; and much of the business infrastructure, from banking to computers, has been overhauled.

True, unemployment remains at damaging levels. But the absence of serious social unrest suggests that the jobless numbers conceal informal or part-time activities.

So the theory that Spain's entry to the EU in 1986, and the deepening of the single market in 1993, would make it attractive has been largely borne out. It has not spilled over into the equity market, however. Instead, companies behind the rebirth of manufacturing have been the multinationals – good news for technology and management but little help for investors in Spanish stocks.

Indeed, as Nick Stevenson, European strategist at SBC Warburg points out, the stock market scarcely reflects the real economy. Two of the country's most attractive features – its tourism industry and the retailing potential of its relatively large population – are barely represented. There are no large listed hotel or leisure companies; and until recently there were no quoted retail groups either.

This situation is improving: there are now three quoted retailers and in May Grupo Sol Melia, the largest hotel company, comes to the market. But the underlying issue remains. The equity market remains dominated by essentially domestically-oriented companies; they provide little exposure to external trade.

Thus, a peseta devaluation may make the economy more competitive and boost profitability of exporters; but it does little or nothing to help the earnings of quoted companies. Indeed, since many of the electricity utilities have big foreign currency borrowings, a devaluation actually hurts the profitability of this important sector of the market.

Privatisation has done little to remedy this situation, since the businesses sold off have little exposure to Spain's export competitiveness. A generational change in family-owned businesses might prove a more effective remedy, but is inevitably a matter of time.

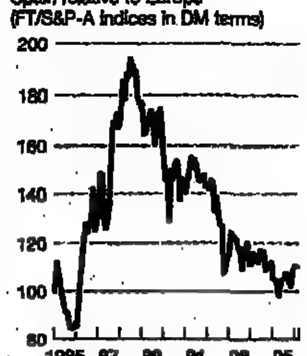
So though Spain looks cheap – it is selling at about 12 times 1997 earnings, compared with a European average of 14 – this largely reflects the structure of the stock market rather than any inherent judgment on the economy's attractiveness. Such judgments may, in any case, be out of fashion. In the 1980s, the search was for big stories, seductive concepts such as "Spain is Europe's California", "The approach of EMU means rapid convergence in interest rates and per capita GDP", or "United Germany is Europe's new economic powerhouse".

Now, though country judgments are still popular, pan-European sectoral issues are more important. Many country judgments are, in fact, little more than reinterpretations of the broader sectoral themes in local terms.

Thus, the poor performance of Spain's electricity utilities in recent months is put down to the possibility of a tighter approach to regulation by an incoming Aznar government. But electricity utilities across Europe have done poorly recently, affected by worsening bond yields and other sectoral issues. The Spanish explanation may be no more than a local grace-note to this more general theme.

The lesson of the path traced by Spanish equities is two-fold. First, that the concept buying of the mid-1980s was always unrealistically optimistic – though those investors who pulled out in time made a great deal of money out of the theme. Second, that for the moment there is little enthusiasm for such sweeping concepts. Those who believe, however, that the growing sophistication of international investors means that concept buying is over are likely to prove as mistaken as those who saw a clutch of Intels under every Spanish boulder in 1985.

Spanish equities



Source: FT Extel

Total return in local currency to 29/2/96

	US	Japan	Germany	France	Italy	UK
	% change over period					
Cash						
Week	0.10	0.01	0.07	0.08	0.20	0.12
Month	0.45	0.04	0.30	0.39	0.84	0.53
Year	6.44	2.31	5.31	6.63	10.65	7.19
Bonds 3-5 year						
Week	-0.87	-0.23	0.24	0.44	0.83	-0.25
Month	-0.98	-1.18	-1.08	-0.38	0.06	-0.92
Year	11.03	8.02	12.79	14.23	20.09	12.83
Bonds 7-10 year						
Week	-1.21	-0.10	-0.01	0.35	1.34	-0.67
Month	-2.51	-1.03	-3.05	-1.42	-0.69	-2.49
Year	13.88	11.64	13.47	16.68	27.12	13.02
Equities						
Week	-2.5	-0.8	2.1	2.5	3.5	-0.2
Month	3.2	-2.1	0.7	2.6	-0.8	0.6
Year	34.5	17.1	17.8	18.1	-0.7	28.7

Source: Cash & Bonds - Lehman Brothers. Equities-© FT/Extel Index Unit.
The FT/S&P Actuaries World Indices are jointly owned by FT-SE International Limited, Goldman Sachs & Co., and Standard & Poor's.

COMPANY RESULTS DUE

Aluminium and steel help lift Hoogovens

Hoogovens, the Netherlands' only steel producer, is forecast on Thursday to post net profits of between Fl 500m and Fl 550m in 1995, up sharply from Fl 354m in 1994. The rise, due to a strong performance in the first half in particular, reflects substantially higher results from steel operations – its biggest business – and a further recovery in aluminium earnings. In 1994 aluminium was lossmaking for the year as a whole, though it moved into the black in the second half of that year and has remained profitable throughout 1995.

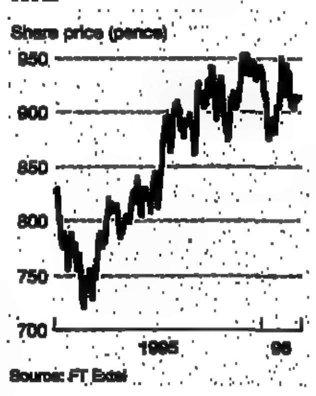
The company itself has predicted that results will be "substantially higher". But it already noted in the summer that second-half results were unlikely to match the level of the first six months, when net profits surged nearly five-fold from Fl 63m to Fl 303m. Nevertheless, Hoogovens insisted second-half results would still be high overall.

Analysts attribute the second-half's relative weakness, compared with the first, to currency factors but also to a softening in steel prices and slightly more hesitant demand in late 1995. Hoogovens, along with the Netherlands' chemicals companies, is among the most cyclical stocks on the Amsterdam stock exchange.

■ CRH, the Irish building materials group, is expected to report a sharp increase in profits for 1995. According to Dublin broking house Davy, a variety of factors are likely to have been behind the impressive improvement, among them strong construction growth in Ireland, a recovery in the group's Spanish concrete products business and a series of earnings enhancing acquisitions made during the year in the US and at home. Davy forecasts pre-tax profits of I£159m, up from I£116.1m.

■ In the wake of a profits warning last November analysts are unsure about exactly how badly Arjo Wiggins Appleton was hit by destocking in the second half of last year. Consequently forecasts for the Anglo-French group's 1995 profits, excluding exceptional items, range widely from £180m to £210m, against £229m in 1994. Acquisitions on the merchanting side during the year will have boosted revenues, but contributions from new businesses will have been more than offset by decline in demand and the £100m cost of restructuring Arjo's European manufacturing operations.

RTZ



Source: FT Extel

■ Rolls-Royce, the aero engine and industrial power group, announces full year results on Thursday, with analysts expecting pre-tax profits of between £150m and £160m, compared with £101m last time. It has had a string of recent successes in Asia, winning engine orders from Singapore Airlines and Malaysia Airlines. The group is likely to be asked about the level of price-cutting in the business and the status of other impending engine orders, such as one from South African Airways.

■ BAT Industries is expected to report on Wednesday a rise in pre-exceptional pre-tax profits of about 25 per cent to £2.45bn for the year to December. Tobacco will lead the way with a rise of some 33 per cent in operating profits. The acquisition of American Tobacco, recovery in Brazil and fast rising volumes in eastern Europe will all contribute. Financial services profits should be up about 15 per cent to £1bn. The net dividend should rise by about 10 per cent to 24p from normalised earnings per share up 13 per cent at 48p.

■ Cadbury Schweppes will show pre-tax profit growth of about 10 per cent to £525m when it reports year-end results on Wednesday. On the positive side are the first 10 month's contribution from Dr Pepper/Seven-Up Companies in the US, elimination of heavy losses from Spanish bottling and encouraging growth from some overseas drinks markets such as South Africa. On the negative side, confectionery has had a dull year thanks to hot weather in the UK and plant commissioning costs in some countries. Expect a divided of 16.5p (15.6p).

■ Although RTZ, the UK-based mining group, and CRA, its Australian associate, completed the arrangements to become "dual listed companies" (which had the same effect as if they had merged) only in December, they will report combined results for 1995. The group has become much more difficult to analyse because it now produces such a wide range of metals and minerals. But analysts forecast that RTZ-CRA on Thursday will report profit before tax and exceptional items somewhere between £1.39bn and £1.48bn.

■ Glaxo Wellcome, the world's biggest pharmaceuticals company by sales, will on Wednesday March 6 present its first full year's results since Glaxo bought Wellcome. The figures will be complicated not only by the takeover but by the £1.2bn is provisions for the cost of merging the two businesses.

Analysts are expecting pro-forma pre-tax pre-exceptional charge profits of about £2.5bn, up about 10 per cent on 1994. The increase will come about partly because of the rapid reduction in debt levels possible by such a cash generative business, and in spite of falling sales from its largest and probably most profitable product, ulcer treatment Zantac.

Turnover for the year should come in a shade under £8bn, up 5 per cent on pro-forma figures from a year ago.

■ The prospect of further restructuring could feature in full year results on Thursday from Zeneca, the UK's third biggest pharmaceuticals company. In January, the company announced a £60m restructuring charge relating to its supply chain, and last month said it would put its seeds division into a joint venture. Its speciality chemicals operation could be looked at next, suggest analysts. The figures for 1995 will be distorted by the restructuring charge. Pre-tax pre-charge profits are likely to be more than £850m, compared with £659m last year. Turnover could be close to £5bn, compared with £4.48bn for 1994. Analysts will be looking out for sales figures for Zestril, the heart drug that is the company's biggest product but whose market is becoming increasingly competitive.

INTERNATIONAL EQUITIES By Antonia Sharpe

Bought deal saves French face

The French government's decision last week to sell off most of its remaining stake in Total, the oil company, through its first "bought deal" has done much to restore investor confidence in its maligned privatisation programme.

By the end of last year, two difficult sell-offs had reduced the programme to tatters and landed the French with an unenviable reputation as an inflexible and arrogant customer.

An abysmal share price performance by Usinor Sacilor, the steel company, since its privatisation in the summer deterred investors from participating in December's privatisation of Pechiney, the aluminium and packaging company.

Although Pechiney's shares are now trading at a healthy premium to the issue price, the difficult launch and recriminations from investors that yet again the government had not listened to the market finally struck home.

With a heavy pipeline of privatisations ahead – a target of FFr40bn ($8bn) has been set this year – the government needed a successful transaction to erase the bad memories of 1995.

Impressed by the speed and efficiency of the UK government's sale of its remaining £500m stake in British Petroleum through a bought deal last December, the French government called in the same advisers, NM Rothschild, to conduct a similar auction of its Total stake.

A bought deal involves a bank buying shares using its own capital and then selling them on to investors at a profit. It is riskier than a book-built offering because the bank can suffer heavy losses if it unable to sell the shares. For the vendor, the bought deal route is faster but it usually has to accept a lower price in return for speed and secrecy.

Taking advantage of the firm tone in the French stock market and Total's rally since the start of the year, Rothschild called about four banks or groups of banks to its Paris office late on Tuesday evening. On the block stood 9.5m Total shares, or 4 per cent of its capital, which would leave the government with a 1 per cent stake.

Crédit Lyonnais and Lehman Brothers won the auction by bidding to sell the stock on to investors at FFr326 each, or a 2.4 per cent discount to Tuesday's closing price. They are believed to have earned a commission of between 0.5 and 0.7 per cent on the FFr3.1bn ($619m) transaction.

The speed with which the stock was placed – by 9am the following morning – and the resilience of the share price afterwards delighted the French. "The sale has been a success for investors, for the company and for the government. Everyone is happy," said one government official.

More importantly, the Total sale sent an important message to investors that they could make money on French privatisations. "This deal was a new departure for the French and it worked," said one banker involved in the transaction.

Hopes are running high among the banks that the French government will use the bought deal technique more often, and that other governments will also use it to dispose of rump holdings. There is speculation that the French government will use this route to sell up to two-thirds of its residual 10 per cent stake in Elf, another oil company, and perhaps to sell stock in Crédit Local.

But while the bought deal has given the French privatisation programme a new lease of life, it is not the answer for the many IPOs and secondary offerings which are planned because they would be too large for any bank to take on. To ensure that these are as successful as Total, the government will have to listen hard to what the market is saying.

FT/S&P ACTUARIES WORLD INDICES

The FT/S&P Actuaries World Indices are owned by FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. The Indices are compiled by FT-SE International Limited and Goldman Sachs in conjunction with the Faculty of Actuaries and the Institute of Actuaries. NatWest Securities Ltd. was a co-founder of the Indices.

NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	FRIDAY MARCH 1 1996 US Dollar Index	%chg since 29/12/95	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg from 29/12/95	Gross Div. Yield	THURSDAY FEBRUARY 29 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (81)	202.57	6.6	196.51	135.03	155.44	176.98	4.1	3.81	201.10	194.75	133.89	153.66	174.91	202.57	158.79	163.85
Austria (26)	187.12	7.2	181.52	124.73	143.58	143.42	10.5	1.80	186.23	180.35	123.80	142.29	142.14	199.28	168.11	186.31
Belgium (34)	212.82	1.8	206.45	141.86	163.30	159.25	4.9	3.91	211.72	205.04	140.75	161.77	157.77	215.61	172.86	172.86
Brazil (28)	158.57	15.0	153.82	105.70	121.87	287.15	16.4	1.61	154.94	150.05	103.00	118.39	280.86	170.25	86.06	129.29
Canada (101)	154.67	4.2	150.03	103.10	118.68	153.28	4.5	2.45	153.63	148.78	102.13	117.39	152.61	158.71	125.64	126.39
Denmark (33)	303.41	5.1	294.33	202.25	232.61	235.31	8.1	1.61	302.54	292.98	201.12	231.16	233.89	305.17	252.41	262.49
Finland (24)	184.32	-1.5	178.80	122.86	141.43	176.32	3.4	1.96	183.44	177.64	121.95	140.16	174.07	276.11	171.13	186.11
France (98)	190.94	6.4	185.22	127.28	146.51	151.48	10.1	3.08	189.23	183.26	125.80	144.59	149.55	191.17	161.53	164.34
Germany (60)	173.79	6.2	168.58	115.85	133.35	133.46	9.5	1.83	172.55	167.10	114.71	131.84	131.84	173.79	142.25	151.42
Hong Kong (59)	437.75	12.9	424.64	291.80	335.89	434.52	12.9	3.28	434.11	420.41	288.60	331.70	430.90	451.19	323.87	339.07
Ireland (16)	260.24	1.9	252.45	173.48	199.68	233.07	3.8	3.33	258.47	250.31	171.83	197.49	231.19	262.70	205.44	214.74
Italy (59)	76.58	3.9	74.28	51.05	58.76	89.31	2.3	1.89	76.32	73.91	50.74	58.31	88.74	82.71	65.45	75.88
Japan (482)	149.58	-3.5	145.11	99.71	114.78	99.71	-1.3	0.76	148.50	144.78	99.39	114.23	99.39	164.82	137.58	137.56
Malaysia (107)	529.77	9.2	513.91	353.14	406.48	519.32	9.5	1.62	523.00	506.49	347.69	399.81	513.39	561.98	425.77	488.07
Mexico (18)	1108.65	7.0	1075.45	739.02	850.67	9202.57	5.5	1.51	1080.47	1046.35	718.29	825.56	9001.78	1237.14	647.81	809.42
Netherland (19)	279.83	2.6	271.45	186.53	214.72	211.01	5.8	3.25	279.25	270.43	185.64	213.37	209.72	283.23	225.62	225.62
New Zealand (13)	81.39	2.2	78.95	54.25	62.45	64.12	-0.9	4.65	81.45	78.88	54.15	62.23	64.24	85.49	72.39	73.45
Norway (33)	238.83	3.3	231.68	159.21	183.26	208.16	5.0	2.29	234.87	227.46	156.14	179.48	203.99	243.79	202.76	211.60
Singapore (44)	446.30	8.8	432.93	297.50	342.45	290.40	9.4	1.39	448.86	434.68	298.40	342.96	292.11	465.21	348.10	353.99
South Africa (45)	388.84	0.9	377.20	259.20	298.36	331.03	7.8	3.13	390.81	378.47	259.81	298.61	330.57	497.75	308.13	308.13
Spain (37)	174.82	5.8	169.59	116.54	134.14	164.43	8.3	3.66	175.32	169.78	116.55	133.96	164.32	175.88	124.10	139.48
Sweden (47)	338.45	8.4	328.31	225.61	259.69	338.90	10.7	2.26	336.16	325.55	223.48	256.85	335.92	342.56	232.23	243.07
Switzerland (39)	232.27	-1.6	225.32	154.83	178.22	173.29	2.9	1.57	231.19	223.89	153.70	176.65	171.78	239.55	171.94	173.20
Thailand (46)	179.35	6.6	173.97	119.55	137.61	175.65	6.7	2.00	179.42	173.75	119.27	137.09	175.55	193.95	130.15	147.64
United Kingdom (205)	231.70	0.5	224.76	154.45	177.78	224.76	2.1	4.06	230.54	223.26	153.26	176.15	223.25	235.50	193.41	194.60
USA (631)	263.24	4.8	255.35	175.47	201.96	263.24	4.8	2.20	261.90	253.63	174.11	200.11	261.90	269.11	197.20	198.91
Americas (776)	240.10	4.8	232.91	160.05	184.23	201.83	4.9	2.20	238.79	231.25	158.75	182.45	200.76	245.54	180.00	182.06
Europe (730)	206.42	2.8	200.24	137.60	158.39	178.85	5.3	2.99	205.32	198.84	136.50	156.86	177.37	208.61	169.63	172.27
Nordic (137)	292.22	6.0	283.47	194.78	224.22	253.80	8.6	2.11	290.21	281.04	192.93	221.74	251.39	295.02	222.22	232.98
Pacific Basin (832)	163.36	-1.1	158.47	108.89	125.35	111.96	0.5	1.18	163.07	157.92	108.40	124.59	111.50	171.87	146.97	146.97
Euro-Pacific (1582)	181.20	0.7	175.77	120.79	139.04	137.28	2.7	2.05	180.57	174.87	120.04	137.97	136.44	183.39	157.42	157.42
North America (732)	256.53	4.8	248.85	171.00	196.84	255.88	4.8	2.21	255.22	247.16	169.67	195.01	254.59	262.28	192.77	194.42
Europe Ex. UK (525)	187.74	4.0	182.12	125.15	144.08	152.62	7.1	2.41	186.71	180.82	124.12	142.66	151.22	187.97	152.92	156.14
Pacific Ex. Japan (350)	289.76	9.5	281.09	193.15	222.84	253.60	8.8	2.92	287.79	278.70	191.32	219.90	251.67	292.69	229.25	237.44
World Ex. US (1754)	182.51	0.9	177.04	121.66	140.04	141.45	3.0	2.07	181.84	176.10	120.89	138.94	140.58	184.71	157.80	157.80
World Ex. UK (2180)	204.99	2.7	198.85	136.65	157.29	171.73	3.9	1.93	204.14	197.69	135.71	155.98	170.76	207.64	167.83	167.83
World Ex. Japan (1903)	239.19	4.4	232.03	159.44	183.53	225.56	5.3	2.53	237.91	230.40	158.16	181.78	224.11	242.17	187.55	189.02
The World Index (2385)	207.37	2.5	201.16	138.23	159.12	176.52	3.8	2.13	206.49	199.97	137.27	157.78	175.51	209.73	170.18	170.18

 Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local); Nordic: Dec 30, 1988 = 139.65 (US $ Index), 114.45 (Pound Sterling) and 123.22 (Local); Brazil, Thailand and Americas: Oct 31, 1994 = 180.44 (US $ Index), 164.07 (Pound Sterling) and 140.84 (Local). Market closed 1/3/96: Thailand.

MARKETS: This Week

NEW YORK By Richard Waters

The US stock and bond markets start this week in better shape than they did last week; their string of losses ended on Friday as hopes returned that US interest rates will be cut again soon.

The high level of volatility that continued throughout the week, though, suggests that the markets will remain choppy until a clearer picture emerges of how strongly the US economy is rebounding from its late-1995 slowdown.

The bond market is likely to remain in the driving seat, with equities unable to resume their upward march until fixed-income investors recover from their bout of jitters.

The highlight of the calendar will be February's employment report, which will bring the first official data on economic conditions last month.

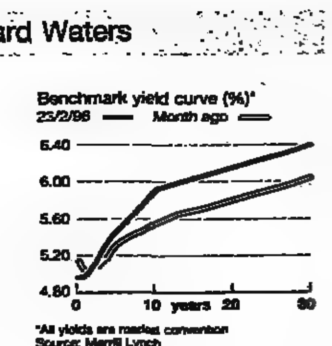
After a weather-induced drop of some 200,000 in January, non-farm payrolls are expected to have risen by some 300,000 last month. That is double the average monthly growth in the final months of last year, but coming after January's fall would point to only a moderate pick-up in activity.

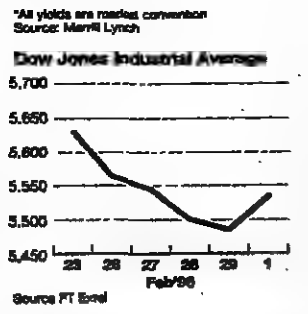
If the Treasury yield curve continues the steepening that was notable on Friday, the equity market should find a firmer footing.

The spread between two and 30-year bond yields grew to around 108 basis points by the end of the week, thanks largely to the rally in short-term rates, from 89 basis points the week before.

While stocks generally may recover their balance, the technology sector faces a difficult period after its rout on Friday, prompted by a warning of slower growth from computer maker Compaq.

It is an encouraging sign for the stock market as a whole, though, that this sector's troubles failed on Friday to dent the recovery of confidence in the broader market.





LONDON By Philip Coggan

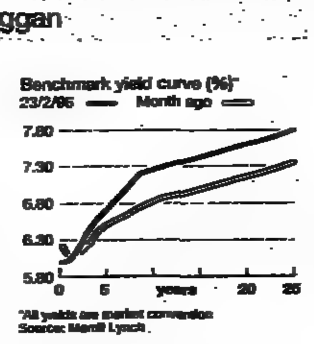
The focus of the week will undoubtedly be Thursday's meeting between Mr Kenneth Clarke, the chancellor of the exchequer, and Mr Eddie George, the governor of the Bank of England. Financial markets hope they will agree to a further cut in base rates, probably a quarter of a percentage point reduction to 6 per cent.

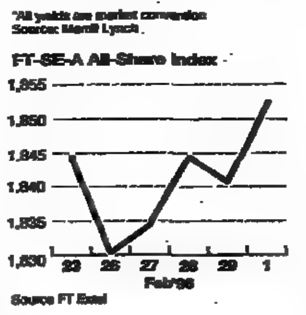
A weak purchasing managers' survey on Friday bolstered the case for a cut. However, there are some fears that this might be the last reduction in the rate for a while; short sterling futures, the market's vehicle for speculating on interest rate movements, are pointing to base rates back at 6.25 per cent by the end of the year.

Both gilts and equities will continue to be affected by the volatile mood of Wall Street, where the yield on the 30-year Treasury bond briefly touched 6.5 per cent last week and the Dow Jones Industrial Average has frequently been triggering the trading restrictions which apply after 50-point moves.

Gilts were particularly weak in February, with the yield on the 10-year issue rising from less than 7.5 per cent to 8 per cent over the month. It will probably need a fall in yields for the FT-SE 100 index to mount a renewed assault on its all-time high of 3,781.3. Equity valuations are starting to look stretched, relative to both conventional and index-linked gilts.

Investors will be hoping that the results season, which has been solid so far, continues to contain no nasty surprises. The leading companies due to announce results this week include Smith & Nephew, BAT, Cadbury Schweppes, Glaxo Wellcome, T&N, Ladbroke, Rolls-Royce, RTZ, Sun Alliance and Zeneca. Recent economic weakness means companies have the potential to disappoint.





FRANKFURT By Andrew Fisher

Further evidence of Germany's stagnant economy will emerge this week with a batch of statistics that will be eagerly studied by the bond and equity markets.

On Tuesday, fourth-quarter gross domestic product figures are expected to show a dip over last year's third quarter; UBS reckons it could be 0.6 per cent.

Unemployment data for February, likely on Wednesday, should show a further rise, with Westdeutsche Landesbank looking for 4.2m (10.9 per cent) unadjusted and 3.92m (10.2 per cent) seasonally adjusted.

Industrial output and new order figures could add to the gloomier picture.

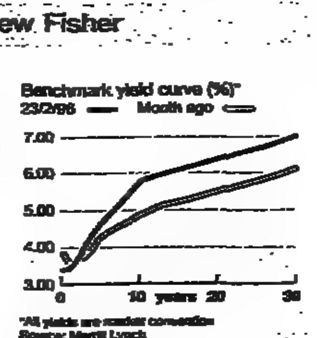
"Forecasts are only now beginning to acknowledge the true weakness of the German economy," WestLB said. Economists at Salomon Brothers expect combined west and east German economic growth to be only around 1 per cent this year.

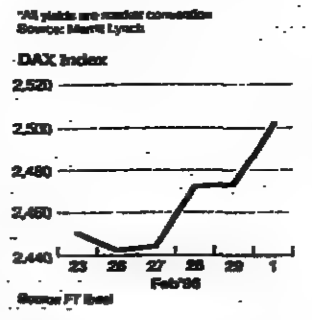
Against this subdued background, speculation of further short-term interest rate cuts by the Bundesbank continues. None came at last week's council meeting, but the timing of the next discount and Lombard rate moves is widely discussed inside and outside the bank.

M3's high initial growth rate this year has to be overcome – statistical distortions and bond market reverses affected the January data – before further easing can be considered towards the end of this month or in April.

Lower interest rates would certainly help underpin the stock market, which touched a new record on Friday when the DAX blue chip index scraped past 2,500 points. Its rise so far this year has been 11 per cent, more than in the whole of 1994.

The dollar's rise helped, as did continued expectations of higher corporate profits.





TOKYO By Emiko Terazono

While fears of rising interest rates seem to have subsided after last week's Bank of Japan's tankan, the quarterly survey of business sentiment, confirmed that the economic recovery is a gradual one, seasonal activity is likely to affect the Tokyo financial markets in the near term.

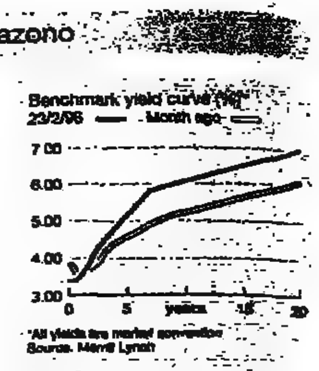
Bond and stock markets are expected to fluctuate on last-minute profit-taking ahead of the fiscal year-end. Banks are writing off their losses from the jusen, the ailing housing loan companies, and low investment returns and stagnant growth in insurance premiums are likely to force life insurance groups to realise profits on stocks and bonds.

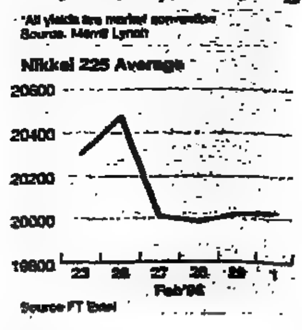
Continuing effects of the tankan survey are expected to help bonds. "The markets were getting a bit too excited about the prospects of a BoJ rate hike, and the bond market rallied strongly following the tankan's release," said SBC Warburg in Tokyo.

The survey showed companies were still burdened with excess employment, inventories and capacity, with all indices improving only marginally. With inflation still almost non-existent, concerns over higher interest rates, prompted by comments from Mr Wataru Kubo, the finance minister, that pensioners were suffering from low rates, seem to have been alleviated.

Meanwhile, the stock market faces settlement for March futures and options this week. Participants have become increasingly wary of long positions on arbitrage trading reaching a record 3.2bn shares.

Another concern is the jusen liquidation scheme. Although the coalition government is poised to approve the plan, which involves using Y685bn in public funds, it is also trying to ease public anger by calling for an increased proportion of the losses to be absorbed by the banking sector.





COMMODITIES By Kenneth Gooding

Silver demand outstrips supply

Silver supply in 1996 will fail to keep pace with consumption – the seventh successive year there has been a supply deficit. Huge stocks of silver were built up in the 1980s but, according to the New York-based CPM consultancy organisation, during the past six years 640.5m troy ounces of the metal has been drawn from stocks to cover the deficit.

CPM reckons there is less than 700m ounces left in global stocks.

The organisation's annual Silver Survey, sponsored by 14 big corporations covering every sector of the business, was launched last week in New York and there will be presentations in other venues, beginning tomorrow in Mexico City.

CPM projects demand for silver, used mainly in photographic film, jewellery and silverware, will rise by 3.8 per cent to 714m ounces in 1996 while supply is forecast to increase by 1.7 per cent to 535.9m. This would leave a deficit of 178m ounces, up from last year's shortfall of 186.7m.

Mr Jeffrey Christian, CPM's managing director, suggests that silver's price will this year average $5.86 an ounce, compared with $5.20 in 1995. He says the price will go above $6 at some point in 1996 but it would take "some major scares" in the US presidential election to force it above $7.

However, much of the remaining silver stock last year came under the control of new investors, including institutional investors, with long-term objectives. "These investors appeared unwilling to supply silver to the market at current prices. Instead, they appeared to have price targets of $8 [an ounce] and higher," says Mr Christian.

● Oil ministers from several members of the Organisation of Petroleum Exporting Countries meet in Vienna today to review the group's production and to prepare for the possible return of Iraqi oil to world markets.

Oil analysts say Opec is producing about 25.6m barrels a day, well above the 24.52m b/d production ceiling of the group. A sale of $2bn of Iraqi oil to raise funds for relief supplies would require the market to absorb an additional 700,000 b/d or more.

OTHER MARKETS Compiled by Michael Morgan

AMSTERDAM

The market will be hoping for further impetus from the corporate reporting season after last week's string of company results led the AEX index to a succession of all-time highs, *writes Ronald van de Krol*.

At cyclical companies such as Hoogovens, due to report on Thursday, the emphasis will not be so much on 1995 results, widely expected to be strong, as on the outlook for 1996 and beyond. Last week, shares in Akzo Nobel faltered briefly after the chemicals company said it had only modest expectations for the year.

One reason for the generally positive reception given to company results so far is the fact that the dollar's influence is waning with the passing of each successive quarter.

In a year-on-year comparison, the US currency's fall is not as dramatic as it once was. The dollar is a key factor in Amsterdam because many bourse-listed companies are dependent on exports to overcome the relatively small size of the domestic market.

PARIS

The demerger plan from Chargeurs last week caught many by surprise, so much so that the shares of the media and textiles conglomerate soared by 12 per cent on the day of the announcement, *writes John Pitt*.

In a sense, the Chargeurs proposal, to split into two separate and listed organisations, was a long time in the making and may finally have been triggered by similar practices recently in the UK.

Analysts are now wondering if other large holding companies, which have held a fascination for the French for decades, might now follow suit.

The market, which broke through the 2,000 level again on Friday, was also fascinated by the takeover bid by Paribas for Navigation Mixte, the holding company, having failed in a previous attempt in 1989. If successful, the financial group could well dispose of some of Navigation's elements.

STOCKHOLM

Even after last week's sterling performance, which saw the Affärsvärlden post all-time highs on Tuesday, Wednesday and Friday, many analysts believe the market has further to go. Stockholm is, for example, UBS's favourite market, offering, it says, the best value, best fundamentals and the right sector mix.

The bank's year-end target for the index is 2,050, compared with 1,886.6 on Friday. UBS says earnings expectations are standing up better than those for core Europe and the market still appears to offer good value at around 10 times 1996 earnings. It notes that Swedish bonds have corrected and yields should remain at current levels, while dividends grow by 13 per cent. Moreover, the krona is likely to weaken, always an important influence on Swedish equities.

Morgan Stanley is also optimistic, on the basis that cyclicals will outperform this year in response to an improvement in the dollar, an economic recovery in Europe and reflationary moves by central banks.

Last week, Mr Richard Davidson, Morgan's European equity strategist in London, doubled the Swedish weighting in his European model portfolio from 3 to 6 per cent at the same time as he upgraded an already overweight German position from 16 to 19 per cent.

HONG KONG

Corporate results will grab the limelight in Hong Kong this week, with Hongkong Electric and Cathay Pacific finals among the more prominent reporters, *writes Louise Lucas*.

Speculation about forthcoming share placements persists after the rash of cash-raising exercises in the first two months of the year, and this is suppressing the share price of targeted stocks.

Investors are also keeping a wary eye on the US, where rising bond yields and the outlook for interest rates stand to affect the fortunes of the local bourse.

CROSS BORDER M&A DEALS

BIDDER/INVESTOR	TARGET	SECTOR	VALUE	COMMENT
Thomson Corporation (Canada)	*West Publishing (US)*	*Publishing*	*£2.3bn*	*Thomson's biggest buy yet*
BP (UK)/Mobil (US)	Merger	Fuels & lubrication	£1.65bn	Downstream restructuring
Bosch (Germany)	Unit of AlliedSignal (US)	Engineering	£970m	Strengthening braking business
Océ-van der Grinten UK	Unit of Siemens (Germany)	Office prods	£356m	Print purchase
Ispat International (UK)	Karmet (Kazakhstan)	Steel	£292m	Expansion plans
Coca-Cola Femsa (Mexico)	Kofba (Argentina)	Soft drinks	£79m	Stake to 75%
Alusuisse (Switzerland)	Mebane Packaging (US)	Packaging	£60m	US expansion
ITT Sheraton (US)	Park Lane Hotel (UK)	Hotels	£44.6m	Agreed offer
Newman Tonks (UK)	*Republic Industries (US)*	*Building materials*	*£29.5m*	*Major move for NT*
Greencore (UK)	Williams Group (Ireland)	Agribusiness	£6.3m	Agreed offer

CURRENCIES By Graham Bowley

Attention turns to US rates as Tokyo props up dollar

The US dollar recovered on Friday after a week in which the Bank of Japan had regularly intervened to prop it up.

The Japanese tankan survey finally put paid to expectations of an imminent rise in Japanese interest rates, which had been depressing the US currency, while data showing a large rise in Japanese foreign exchange reserves underlined the Bank of Japan's determination to lift the dollar higher.

Dealers this week will be looking for further signs of Japanese intervention, but attention will also turn to the future direction of US interest rates with the publication on Friday of key US employment data.

Expectations of a further cut in US interest rates at the Federal Reserve's next meeting later this month could intensify if the data point to further weakness in the US economy.

Political developments in the race for the Republican presidential nomination are also likely to affect the dollar.

Analysts said the currency could suffer if Mr Pat Buchanan, the right-wing candidate, was to make further progress in the race. Investors have been troubled by the protectionist stance Mr Buchanan has taken, dealers said.

Politics could also influence the direction of the Australian dollar and Spanish peseta, with elections in both these countries over the weekend.

Financial markets are expecting a change of government in both Spain and Australia. This is likely to be positive for their currencies since it is likely to imply more conservative economic policies in both cases.

But analysts said the markets would also be looking for confirmation that any new Australian government would be prepared to tackle the country's budgetary problems.

Figures on German industrial production and manufacturing orders this week are forecast to show weakness in the German economy, fuelling expectations of further German interest rate cuts.

Italian consumer price data are likely to to show a lower annual inflation rate, underpinning the lira.

FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Friday, March 1, 1996. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

		£ STG	US $	D-MARK	YEN (X 100)
Afghanistan	(Afghani)	7269.90	4750.00	3218.38	4504.28
Albania	(Lek)	149.478	97.8000	66.2647	[illegible]
Algeria	(Dinar)	81.9368	53.6109	36.3242	50.8377
Andorra	(French Fr)	7.7297	5.0574	3.4267	4.7956
	(Sp Peseta)	189.759	124.155	84.1216	[illegible]
Angola	(Kwanza)	8612.53	5635.00	3818.01	[illegible]
Antigua	(E Carib $)	4.1267	2.7000	1.8294	2.5603
Argentina	(Peso)	1.5280	0.9997	0.6773	0.9480
Armenia	(Dram)	615.762o	402.880	272.972	382.040
Aruba	(Florin)	2.7359	1.7900	1.2128	1.6974
Australia	(Aus $)	2.0072	1.3132	0.8898	1.2453
Austria	(Schilling)	15.8646	10.3800	7.0330	9.8431
Azerbaijan	(Manat)	6793.74o	4445.00	3011.72	4215.07
Azores	(Port Escudo)	233.664	153.025	103.683	145.109
Bahamas	(Bahamas $)	1.5284	1	0.6776	0.9482
Bahrain	(Dinar)	0.5763	[illegible]	0.2554	0.3575
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Greece	(Drachma)	369.812	241.960	163.941	229.444
Greenland	(Danish Krone)	8.7151	5.7021	3.8635	5.4071
Grenada	(E Carib $)	4.1267	2.7000	1.8294	2.5603
Guadeloupe	(Local Fr)	7.7297	5.0574	3.4267	4.7956
Guam	(US $)	1.5284	1	0.6776	0.9480
Guatemala	(Quetzal)	9.4457	6.1800	4.1876	5.8611
Guinea	(Fr)	1523.81	[illegible]	675.520	945.427
Guinea-Bissau	(Peso)	27568.2	18036.0	[illegible]	17103.0
Guyana	(Guyanese $)	212.296	138.900	94.1121	131.716
Haiti	(Gourde)	24.7234	16.1760	10.9601	15.3392
Honduras	(Lempira)	15.9585	10.4400	7.0737	9.8000
Hong Kong	(HK $)	11.8189	7.7316	5.2385	7.3316
Hungary	(Forint)	217.605	142.505	96.5546	135.134
Iceland	(Icelandic Krona)	[illegible]	68.4500	45.0234	63.0127
India	(Indian Rupee)	52.8086	34.5600	23.4094	32.7526
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

		£ STG	US $	D-MARK	YEN (X 100)
Pakistan	(Pak. Rupee)	[illegible]	34.3666	23.2845	32.5879
Panama	(Balboa)	1.5284	1	0.6776	0.9483
Papua New Guinea	(Kina)	2.0699	1.3541	0.9176	1.2841
Paraguay	(Guarani)	3072.08	2010.00	1361.88	1906.03
Peru	(New Sol)	3.6009	2.3560	1.5963	2.2341
Philippines	(Peso)	40.0135	26.1800	17.7383	24.8258
Pitcairn Is	(£ Sterling)	1	0.6543	0.4433	0.6204
	(NZ $)	2.2679	1.4837	1.0053	1.4069
Poland	(Zloty)	[illegible]	2.5670	1.7393	2.4342
Portugal	(Escudo)	233.664	153.025	103.683	145.109
Puerto Rico	(US $)	1.5284	1	0.6776	0.9489
Qatar	(Riyal)	5.5649	3.6410	2.4670	3.4527
Reunion Is. de la	(F/Fr)	7.7297	5.0574	3.4267	4.7956
Romania	(Leu)	4394.15	2875.00	1947.96	2726.28
Russia	(Rouble)	0.9997o	0.6541	0.4432	0.6203
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

EMERGING MARKETS By Ray Colitt in Caracas

Fragile recovery in Caracas

When the Venezuelan equity market rallied to break two-year records in local currency terms a couple of weeks ago, investors reminisced about the boom of the early 1990s, which for the first time put the country on the world capital markets map.

The market began to recover last September after a three-year period in which investors had little reason to rejoice. Two coup attempts, a presidential impeachment, and a disastrous banking crisis caused equity prices to plummet. Gloomy economic prospects during most of 1995 kept prices depressed through the first three quarters. Inflation hit 56 per cent, growth was sluggish, and government price and foreign exchange controls squeezed company profits.

Despite a reasonable recovery in recent months, the atmosphere at the Caracas stock exchange is not exactly euphoric. At best, a dozen investors gather in the foyer around late morning. As the exchange is fully electronic and brokers bid via an optical fibre network in the privacy of their offices, the floor is habitually deserted. Yet much of the glistening, hi-tech hardware, acquisitions made during boom years, stands idle.

Market capitalisation of $4.3bn, or 7.2 per cent of GDP, is still a far cry from 1991 capitalisation levels of $13bn, or 24.4 per cent. The recovery of recent months, it appears, is rather fragile. "The equity market has been growing, not because it appears interesting to investors but because all other options appear worse," said one broker.

Returns in the equity market in real terms were a negative 7 per cent last year. Yet that is still above most other financial instruments. Fixed interest paper, currently reaping double-digit negative returns in real terms, are hardly an option. Central bank monetary stabilisation bonds have recovered from 29 to 34 per cent in recent days, with a 60 to 80 per cent inflation rate expected for this year. With properties overpriced and investors weary of long-term fixed investments, real estate is not an option either.

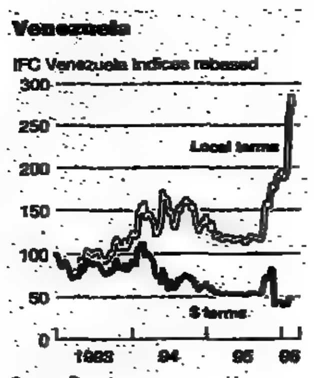
Finally, the local Brady bond market, which was legalised in July of 1995, virtually collapsed after the government in late January introduced harsh control mechanisms, including a six-day resale ban on Brady bonds. Volume plummeted from $80m daily to an average $3m to $5m a day.

Buying Brady bonds for bolivars on the Caracas exchange and selling them at a discount for dollars in New York had for many businesses been the only possibility to overcome a shortage of foreign currency. Since June 1994, the government has been making only a limited amount of dollars available and has fixed the exchange rate.

Given the restrictive conditions, it is perhaps not surprising that among the companies traded most are large exporters with access to stronger markets and hard currency as well as blue-chip companies with a long history on the equity market, such as Electricidad de Caracas.

Of the 91 companies listed on the stock exchange, the 10 largest account for 86 per cent of total volume. Some of the top companies last year even produced returns in dollar terms of between 17 and 25 per cent.

For Mr Alfredo Salcedo, president of the Caracas stock exchange, this is only one of the indications that the market has potential. "If these companies can perform as well as they have under the given economic conditions, then they could really take off under normal circumstances," he said.



Source: Datastream

As further proof that the market has potential to grow, given the right macro-economic conditions, Mr Salcedo points to a number of international brokerages, including Banker's Trust and ABN Amro, that are setting up shop in Caracas.

With the price of a trading licence having come down from $1.3m to $130,000 in the last year, the number of brokerages may increase further from the current 64. The fate of 14 brokerages, which collapsed during the 1994 banking crisis and are still in state hands, has not yet been decided.

Two government undertakings have the potential to strengthen Venezuela's securities market in the long-term.

One is the petroleum investment funds, which amount to an opening of the previously closed petroleum industry to private investors. The petroleum industry is considered the backbone of the economy and one of the few sectors with excellent growth prospects.

The legal framework, which is to be approved by congress shortly, will allow the creation of investment funds using a variety of financial instruments to finance projects in the petroleum industry.

"Once the project takes off," says one official at state oil company PDVSA, "we hope to raise as much as $5bn over the next 10 years".

"We want these shares to reach Venezuelans like the national lottery does," says Mr Juan Musso, one of the architects of the project at PDVSA. The plans have been received with great interest by the financial community.

"The petroleum investment funds open up enormous possibilities and could seriously jump-start this market," says Mr Salcedo.

The second government project that could boost the market is the ambitious privatisation programme, which intends to raise $3.5bn in revenues over the next 18 months.

Sales of shares in electricity, steel, and telecommunications enterprises are at the top of the list.

ING BARING SECURITIES EMERGING MARKETS INDICES

Index	1/3/96	Week on week movement Actual	Week on week movement Percent	Month on month movement Actual	Month on month movement Percent	Year to date movement Actual	Year to date movement Percent
World (395)	153.97	-3.65	-2.32	-5.32	-3.34	+6.41	+4.36
Latin America							
Argentina (22)	88.46	-6.15	-6.50	-14.80	-14.33	-4.32	-4.66
Brazil (23)	209.15	-11.03	-5.01	-7.91	-3.84	+23.06	+12.39
Chile (16)	162.30	-1.01	-0.55	-2.37	-1.28	-13.36	-6.83
Colombia (14)	169.68	+3.57	+2.15	+8.86	+5.51	+5.41	+3.29
Mexico (23)	74.63	-4.17	-5.28	-7.30	-8.89	+1.24	+1.68
Peru(14)	1,079.17	-49.43	-4.38	-29.89	-2.70	+10.22	+0.96
Latin America (112)	127.22	-6.00	-4.50	-8.16	-6.03	+4.08	+3.31
Europe							
Greece (18)	112.28	+4.65	+4.32	+6.50	+6.14	+14.31	+14.60
Portugal (20)	126.30	-2.83	-2.19	+1.40	+1.12	+9.84	+8.45
Turkey (26)	114.28	+9.84	+9.42	+11.12	+10.78	+31.46	+38.00
South Africa (32)	156.11	-2.39	-1.83	-14.47	-8.48	+2.73	+1.78
Europe (96)	128.28	-0.95	-0.73	-7.12	-5.26	+6.74	+5.55
Asia							
China (24)	48.02	-1.42	-2.87	+1.93	+4.19	+7.69	+19.08
Indonesia (32)	162.02	-3.87	-2.35	-3.55	-2.28	+13.37	+9.66
Korea (23)	131.19	-3.19	-2.38	-3.76	-2.79	-5.71	-4.17
Malaysia (24)	244.10	+0.42	+0.17	+8.04	+3.41	+16.74	+7.36
Pakistan (14)	88.60	-10.57	-10.66	+8.62	+10.78	+15.01	+20.40
Philippines (14)	259.66	-0.48	-0.16	+5.00	+1.70	+39.50	+15.24
Thailand (26)	258.80	-4.80	-1.82	-14.85	-5.43	+6.92	+2.75
Taiwan (31)	125.12	+0.07	+0.06	+3.73	+3.07	-5.70	-4.36
Asia (167)	212.65	-2.32	-1.08	+0.40	+0.19	+9.61	+4.73

All indices in $ terms, January 7th 1992=100. Source: ING Baring Securities.

INTERNATIONAL BONDS By Richard Lapper

Future-flow deals find a niche in Latin America

The completion late last month of a $280m securitisation deal for Telmex, the Mexican telecommunications company, has highlighted a growing trend among Latin American borrowers. Telmex is the latest in a string of corporates from the region to successfully reduce their borrowing costs by securitising future flows of income.

Last year, the number of these deals proliferated, with borrowers raising some $2.8bn, a four-fold increase on the 1994 figure.

Telmex, which launched the market's first such deal in 1987, is securitising telephone receivables; payments owed to it from long-distance telephone calls between Mexico and the US.

Companies have also pledged future flows such as export earnings (usually from oil or commodities), credit card receivables, remittances from migrant workers and even airline tickets. Overall, a total of some $8.6bn has been raised through international future flows deals.

Unlike the more common asset-backed transactions, which involve repackaging portfolios of mortgages, car loans, credit card balances or other assets, future flow deals involve the payment over a fixed period of income flows into an offshore trust.

The future receivables are generally sold to the trust, which issues the bonds or notes and repays principal and interest, with any surplus being returned to the issuer.

The structure allows investors to circumvent some of the sovereign risks (convertibility or transfer) typically attached to emerging markets investments. And because the issues are less risky, credit rating agencies usually award investment grade ratings, making it possible for a wider range of investors to buy the paper.

The Telmex issue received an A rating from Duff & Phelps Credit Rating Co (DCR), the US agency which rates many of the deals, and a Baa1 rating from Moody's – higher levels than the Mexican government's own local currency obligations.

Although these issues have typically been placed privately among US institutions, especially insurance companies, other investors, including European funds and banks, are now beginning to show more interest.

Bankers Trust, which handled the Telmex deal, says investors from three continents bought the paper. "This is probably the first time that a transaction of this type has achieved such a broad global distribution," said Mr Fernando Guerrero, managing director and head of global structured finance.

DCR says the rise in issuance has been driven primarily "in response to the capital needs of operationally strong companies located in emerging markets". These typically rely on bank or eurobond debt, whose pricing and availability has been constrained by sovereign considerations.

Telmex was able to reduce substantially its borrowing costs on a 13-month facility, with the rate of 62.5 basis points over Libor comparing with 325 basis points over Libor on an original loan facility agreed last year.

Grupo Mexico, which launched last year's biggest issue – a $525m export receivables securitisation – reduced both its costs (rates on separate tranches ranged from 1.375 per cent over Libor to 2.65 per cent over US Treasuries) and obtained financing over a relatively long period: 12 years compared with the three years more typical for Mexican borrowers.

"Investors have decided that risk mitigants in these structures merit buying at a tighter spread," said Mr Guerrero.

Some borrowers active in the market might have been unable to raise money through any other route.

For example, Peru's Banco de Credito, which raised $48m last year in a credit card receivables transaction, would have found it difficult to raise funds through a more traditional bond issue.

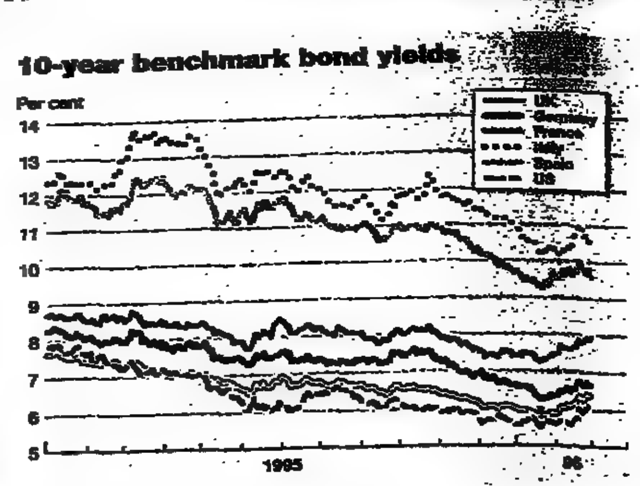
Borrowers from Panama and the Dominican Republic, which might otherwise find access to the market either difficult or prohibitively expensive, are also believed to have deals in the pipeline.

One of the reasons for the popularity of these deals is that investors have become more discriminating about emerging market investments in the wake of the peso crisis in Mexico at the end of 1994.

"The Mexico crisis led to a re-evaluation of unsecured debt in the emerging markets," said Mr Guerrero. The popularity of the deals seems likely to grow and the range of borrowers is also expected to widen.

DCR expects an increase in deals from other emerging markets, especially from near-investment grade countries in central Europe, the Middle East and south-east Asia. Turkish banks were active on the markets last year.

"Its a global phenomenon which has taken grasp in Latin America first", adds Mr Guerrero.



Source: FT Extel

INTEREST RATES AT A GLANCE

	USA	Japan	Germany	France	Italy	UK
Discount	5.00	0.50	3.00	5.60[1]	9.00	6.25[2]
Overnight	5.19	0.41	3.31	4.06	9.81	6.25
Three month	4.98	0.49	3.25	4.90	9.62	5.76
One year	5.07	0.75	3.35	4.35	9.28	5.81
Five year	5.62	1.98	5.07	5.68	9.91	7.26
Ten year	6.01	3.06	6.28	6.56	10.49	7.81

(1) France-Repo rate. (2) UK-Base rate. Source: Reuters.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Maturity	Coupon %	Price	Yield %	Launch spread bp	Book runner
US DOLLARS							
Globo Electric Power(i)	350	Apr 2001	5.75	99.490R	5.788	+24(6¼%-01)	Lehman /Nomura/Tokai
FUNCT Sec 96-1,Cls A(b)‡	420	Feb 2001	(b1)	100.00R	-	-	First Union/Merrill
Sallie Mae SLT 1996 Srs 1(e)‡	974	(e)	(e1)	100.00	-	-	Goldman Sachs
SCP‡	100	Mar 1998	10.75	99.95R	10.8R	+560(5⅞%-98)	Banque Paribas
First Home Loan Mrtge(f)	500	Mar 2001	5.89	100.00R	5.89	+44(5⅝%-01)	Goldman Sachs/Merrill
Bank of Nova Scotia(k)	300	Sep 1997	(m)	100.09	-	-	UBS
RTZ Canada Holdings(i)	[illegible]	Mar 2001	6.00	[illegible]	6.064	(n)	JP Morgan
Alusuisse-Lonza Fin(x)	230	Apr 2001	2.00	99.96	-	-	CS First Boston/Gldmn
CIC‡	200	Apr 1999	(q)	99.85R	-	-	UBS
BT Securities‡	150	Mar 1999	(r)	99.98R	-	-	Bear Stearns
Ashanti Capital(§)	220	Mar 15	5.50	[illegible]	-	-	Goldman Sachs
D-MARKS							
Philip Morris Capital	250	May 2003	6.50	99.58R	6.578	+40(7¼%-03)	CSFB-Effectenbank
LB Sachsen‡	300	Mar 2001	(t)	100.14	-	-	JP Morgan
SBC (Jersey)(t)	250	Dec 1999	4.75	99.80R	-	+7(BRTOBL)	SBC Warburg
YEN							
EBRD‡★(g)	16bn	Mar 1999	6.60	100.60	-	-	Nikko International
SocGen★(a)(s)	10bn	Mar 2001	3.00	100.00	3.00	-	IBJ
SocGen★(s)	6bn	Mar 2001	1.00	100.00	1.00	-	IBJ
J-Cars Corp‡	25bn	Mar 2001	(z)	100.00R	-	-	Goldman Sachs
J-Cars Corp III(A)	8bn	Mar 2001	2.61	100.00	2.61	-	Daiwa Europe
J-Cars Corp III	8bn	Mar 2001	2.75	100.00	2.75	-	Daiwa Europe
J-Cars Corp I	9bn	Mar 2001	2.87	100.80	2.87	-	Daiwa Europe
SWISS FRANCS							
Intercapital★§	60	Mar 2000	0.375#	100.00	-	-	Nikko Bank(Switz)
ENS(a)(c)	100	Aug 1999	2.50	99.80	2.56	-	UBS
Banco Inter Atlantico‡	75	Mar 1999	7.63	99.42R	-	-	Credit Agricole
Helaba Finance(i)‡	100	Dec 2006	3.75	102.25	3.62	-	Credit Suisse
Korea Development Bank	200	Mar 2001	4.25	103.375	3.502	-	Credit Suisse
GECC(u)★	100	Mar 1999	3.25	101.85	-	-	Merrill Lynch
National Australia Bank★	100	Apr 1999	3.25	101.85	2.601	-	UBS
De NIB(D)	100	Dec 1999	3.25	101.85	-	-	Credit Suisse
Dresdner Finance Bank(i)(k)	100	Mar 2001	(K1)	100.65	-	-	Dresdner Bank
STERLING							
Northern Rock Bldg Soc‡	200	Apr 2001	(C)	99.88R	-	-	UBS
Midland Bank(D)	150	undated	9.25	99.756R	-	+115(7%-06)	HSBC Mkts
Hill Bank(G Cayman)‡	125	Mar 2001	(E)	99.732R	-	-	HSBC Mkts
Spicebis‡	125	Feb 1998	(H)	99.958	-	-	HSBC Mkts
GUILDERS							
Kredietbank Intl Finance	125	Apr 2002	5.00(I)	100.167R	4.967	+6(I)	Kredietbank
BNG	600	Mar 2000	5.60	99.20R	5.22R	Flat(i)	SBC Warburg
De NIB	250	Apr 2002	6.00	100.05R	5.99R	+49(i)	ABN Amro Hoare Govett
Kredietbank Intl Fin(r)	200	undated	7.25	99.45R	7.33R	(r1)	ABN Amro Hoare Govett
FRENCH FRANCS							
Commerzbank Overseas Fin	2.5bn	Mar 2007	6.75	98.78R	6.915	+19(i)	Commerzbank/SocGen
Volvo Group Finance	1bn	Apr 2005	7.00	99.19R	7.116	+40(7¼%-05)	Crdt Commcl/Crdt Lyns
LUXEMBOURG FRANCS							
ASLK-CGER FICO(i)	2bn	May 2000	5.50	101.80	5.00	-	Bnq UCL/ASLK-CGER
Genfinance (Lux)(i)	2bn	Apr 2005	5.09	102.40	6.30	-	BGL
Cofinoest	2bn	Apr 2001	5.00(F)	102.65	4.490	-	BCEE/Cerabank
Cregem Intl Bank(i)	2bn	Jan 2001	6.75	102.40	6.203	-	BIL
ITALIAN LIRE							
Commerzbank‡	150bn	Mar 2001	(j)	100.32	-	-	BCI
EIB(u)	150	Jan 2001	9.00	102.368	-	-	JP Morgan
Argentina(A)	150bn	Mar 2001	13.25	99.675	13.33	-	Crdt Italiano
AUSTRALIAN DOLLARS							
Barclays Australia Intl Fin	100	Apr 1999	8.00	100.67	7.740	-	BZW
IIB	67.5	Mar 2001	7.25	100.00	7.25	-	Bank Tokyo Cap Mkts
ECUS							
Kingdom of Sweden(i)	65	Apr 2002	5.37	101.79	5.022	-	Kredietbank
PESETAS							
Kingdom of Sweden(a)	10bn	Dec 2026	9.41	102.08	-	-	Banco Bilbao Vizcaya
KfW International Finance	16bn	Mar 2001	8.86	101.37	8.501	-	Bnc Santander Negocios
CANADIAN DOLLARS							
GE Capital Canada(a)	150	Dec 2001	6.875	99.18	7.08R	+20(7½%-01)	BBCM/Toronto Dom
Province of Manitoba	150	Apr 1999	6.25	99.35R	6.49R	(v)	CIBC Wood Gundy
Toyota Credit Canada	100	Apr 2001	7.00	99.95R	7.012	+5(7½%-01)	CIBC Wood Gundy
ESCUDOS							
Instituto de Credito Oficial‡	20bn	Mar 1998	(x)	100.00	-	-	Bnc Central/Bnco CISF
EIB‡	20bn	Mar 2001	(w)	100.17R	-	-	(w1)
MARKKAS							
Nordic Investment Bank★	100	Mar 2001	7.03	100.00R	7.03	-	CIBC Wood Gundy
Nordic Investment Bank	100	Sep 2001	7.20	100.00R	-	-	Merita Bank

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. §Convertible. ‡Floating-rate note. ¢With equity warrants. ★Unlisted. ‖Semi-annual coupon and yield. R: fixed re-offer price. a) Fixing: 29/2/96. Conv price: Y1,507. FX: 89.19Y/SFr. Puttable on 31/3/99 at 102⅞%. Callable on 31/3/99 at 102⅞% and 30/9/99 at 100½%. a1) Callable from 31/3/97 subject to 130% parity rule. Conv price reset clause effective Apr97. b) First Union Master Credit Card Trust. Legal maturity 15/9/03. Increased from $500m to $820m. b1) 1-mth Libor +17bp. b2) Class B: $3 .3m, increased from $40.9m to $75.3m, Feb01, 1-mth Libor +29bp. c) Fungible with CHF150m. Plus 40 days accrued interest. d) For 1st 2yrs. Thereafter 7.0. e) Clean-up clause on all 3 tranches. Tranche A1: expected life 2.41yrs. e1) 3-mth Libor +55bp. Tranche A2: Priced & priced at 100.00. g) Redemption in Australian dollars. Issued off EMTN programme. h) Fungible with DM500m. Plus 90 days accrued interest. i) Over interpolated yield. j) 3-mth Libor +25bp. Carpet coupon: 11.60. k) 6-mth Libor -12.5bp. l) Long 1st coupon. m) 3-mth Libor -5bp. n) Spread +33bp(W1 5yr Treasury). o) 3% for 1st 2yrs, thereafter varies. q) Fungible with SFr200m. Plus 21 days accrued interest. r) Callable at par from 2006 and every 10yrs thereafter. If not called coupon steps-up to 250bp(10yrDSL) after 10yrs. s) Short 1st Coupon 5% for 1st 3yrs, 7% for yrs 4-6, thereafter 9%. u) Plus 61 days accrued interest. v) Priced at +11(5¾%-98) or +21(6%-98). w) Navigator bond. 3-mth Libor -18bp. w1) Bnc Pinto & Sotto Mayor/Bnc Sotndr de Ngcs(Prtgl) x) 10% Greenshoe. 4yrs hard non-call. Cnv price:SFr1,138. FX:1.1975ttc$. y) 3-mth Libor +15bp. Capped at 8%. z) 1-mth Libor +10bp. Payable 13th each month. Bckd by Auto Receivables. A) Backed by Auto Receivables. B) Fungible with Sfr125m. Plus 50 days accrued. C) 3-mth Libor +6bp. Callable from Apr01. D) Callable at par after 10yrs, then every 5yrs. If not, resets to +215bp over prvlng 5yr guilt. E) 3-mth Libor +8.25bp. F) Until 3rd yr. Then steps-up to 7½%pa. G) 3-mth Libor +6.25bp. H) 3-mth Libor flat. I) Until 3rd yr. Then steps-up to 8%pa. J) Fungible with L350bn. Plus 22 dys accrued. K) Re-opening clause. K1) 6-mth Libor -20bp. L) Conv prm:17.4%. Conv price:£27. Note: Yields are calculated on ISMA basis.

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Mar 1 / Sch)

[illegible]

PACIFIC

AFRICA

NORTH AMERICA

INDICES

	Mar 1	Feb 29	Feb 28	1995/96 High		1995/96 Low	
Argentina							
General(29/12/77)	16342.31	15618.59	16607.85	[illegible]	31/1/96	[illegible]	9/3/95
Australia							
All Ordinaries(1/1/80)	2313.0	2290.0	2265.7	2313.00	1/3/96	1823.30	8/2/95
All Mining(1/1/80)	1084.2	1045.6	1030.4	1084.20	1/3/96	795.30	8/2/95
Austria							
Credit Aktien(30/12/84)	382.18	379.34	380.41	395.42	2/1/95	320.60	27/10/95
Traded Index(2/1/91)	1074.02	1065.69	1077.82	1094.98	7/2/96	982.15	23/10/95
Belgium							
BEL20(1/1/91)	1710.60	1689.66	1692.60	1715.74	1/2/96	1371.53	9/3/95
Brazil							
Bovespa(29/12/83)	50834.0	49577.0	51993.0	54109.00	2/2/96	21362.00	9/3/95
Canada							
Metals Minls♦(1975)	5171.99	5146.35	5121.73	5370.39	8/2/96	3806.63	1/3/95
Composite♦(1975)	4956.55	4933.72	4947.20	5058.89	14/2/96	3991.41	30/1/95
Portfolio§§(4/1/83)	2415.44	2399.29	2405.63	2496.87	8/2/96	1953.36	30/1/95
Chile							
IGPA Gen¶(31/12/80)	5601.35	5588.23	5583.46	6063.10	11/7/95	4079.90	9/3/95
Denmark							
CopenhagenSE(3/1/83)	389.58	387.61	387.09	391.36	13/3/95	330.01	23/3/95
Finland							
HEX General(28/12/90)	1831.76	1816.40	1825.43	2332.22	14/9/95	1565.30	29/3/95
France							
SBF 250(31/12/90)	1371.09	1365.08	1354.91	1371.09	1/3/96	1164.41	13/3/95
CAC 40(31/12/87)	2017.19	1990.77	1995.89	2024.09	1/3/96	1721.14	23/10/95
Germany							
FAZ Aktien(31/12/58)	883.97	879.28	876.80	883.97	1/3/96	708.87	30/3/95
Commerzbank(1/12/53)	2562.9	2548.9	2541.2	2562.90	1/3/96	2018.70	30/3/95
DAX‡(30/12/87)	2501.22	2473.55	2472.50	2501.22	1/3/96	[illegible]	[illegible]
Greece							
Athens SE(31/12/80)	1017.31	1002.91	999.52	1017.31	1/3/96	787.15	16/3/95
Hong Kong							
Hang Seng(31/7/64)	11194.94	11125.68	11264.55	11594.99	16/2/96	6967.93	23/1/95
India							
BSE Sens.(1979)	3417.61	3391.99	3494.09	3932.09	2/1/95	2828.08	25/1/96
Indonesia							
Jakarta Comp.(10/8/82)	589.12	585.21	595.28	597.36	27/2/96	414.21	19/4/95
Ireland							
ISEQ Overall(4/1/88)	2348.87	2331.38	2323.28	2348.87	1/3/96	1833.59	23/1/95
Italy							
Banca Comm Ital(1972)	611.00	608.81	603.23	699.84	10/2/95	547.79	5/12/95
MIB General(2/1/95)	1036.0	1029.0	1023.0	1082.00	9/2/96	982.00	15/1/96
Japan							
Nikkei 225(16/5/49)	20169.63	20125.37	19919.97	21118.30	8/2/96	14485.40	3/7/95
Nikkei 300(1/10/82)	292.02	291.37	288.36	307.98	5/1/96	222.28	13/6/95
Topix(4/1/68)	1564.82	1560.45	1547.22	1632.83	5/1/96	1193.16	13/6/95
2nd Section(4/1/68)	2034.04	2025.75	2032.86	2130.88	4/1/95	1441.30	13/6/95
Malaysia							
KLSE Comp.(4/4/86)	1083.55	1084.41	1076.95	1093.58	1/3/96	840.87	24/1/95
Mexico							
IPC(Nov 1978)	(u)	2832.54	2862.59	3101.08	2/2/96	1447.30	27/2/95
Netherland							
CBS TtlRtnGen(End 83)	566.3	564.2	564.4	566.30	1/3/96	422.90	23/3/95
CBS All ShrEnd 83)	344.1	341.6	341.7	344.10	1/3/96	265.20	23/3/95
New Zealand							
Cap. 40(1/7/86)	2142.40	2141.08	2150.02	2200.02	20/10/95	1980.43	3/1/95
Norway							
Oslo SE(Ind)(2/1/83)	1315.26	1291.92	1298.93	1318.17	23/2/96	1088.00	10/3/95
Philippines							
Manila Comp(2/1/85)	2948.18	2882.60	2862.45	2968.12	10/7/95	2198.48	30/11/95
Portugal							
BTA(1977)	2591.6	2599.2	2593.9	2911.80	9/1/95	2412.80	22/11/95
Singapore							
SES All-S'pore(2/4/75)	599.32	598.78	598.74	600.37	5/2/96	472.90	23/1/95
South Africa							
JSE Gold(28/9/78)	1797.1¶	1788.1	1729.4	2023.00	2/1/95	1250.29	30/10/95
JSE Ind.(28/9/78)	8323.4¶	8305.3	8342.0	8739.30	25/1/96	6222.00	31/1/95
South Korea							
KoreaCompEx**(4/1/80)	(c)	852.83	855.21	1027.37	2/1/95	842.72	20/1/96
Spain							
Madrid SE(30/12/85)	345.87	345.55	345.13	346.87	1/3/96	284.06	23/3/95
Sweden							
AffarsvarldGen(1/2/37)	1886.6	1865.4	1866.7	1888.70	28/2/96	1439.80	29/3/95
Switzerland							
Swiss Bk Ind(31/12/58)	1612.29	1601.26	1603.29	1612.29	1/3/96	1174.83	13/3/95
SBC General(1/4/87)	1171.25	1161.80	1162.13	1171.25	1/3/96	878.58	13/3/95
Taiwan							
WeightedPr.**(30/6/66)	4877.38	4797.67	4751.19	7051.49	5/1/95	4503.37	14/8/95
Thailand							
Bangkok SET(30/4/75)	(c)	(c)	1321.87	1472.04	10/7/95	1135.89	16/3/95
Turkey							
Istanbul Comp.(Jan 1986)	62136.3	60546.5	61349.9	62136.30	1/3/96	29644.29	23/1/95
WORLD							
MS Capital Intl(1/1/70)	750.3	751.4*	752.2	761.10	23/2/96	598.21	23/1/95
CROSS-BORDER							
Eurotrack 100(26/10/90)	1590.91	1575.00	1574.95	1590.91	1/3/96	1222.41	13/3/95
Euro Top-100(26/6/90)	1415.64	1402.07	1404.82	1418.64	1/3/96	1117.24	9/3/95
JCapelDrgns(31/12/88)	(u)	371.90	373.53	382.62	19/2/96	282.07	23/1/95
ING Brngs Emrg(7/1/92)	153.97	155.24	156.06	162.72	5/2/96	117.25	10/3/95

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x Index)							
Mar	2008.0	2023.5	+29.5	2029.0	2008.0	21,133	47,130
Apr	2013.0	2027.5	+29.5	2028.0	2013.0	19	1,378
DAX							
Mar	2494.0	2492.5	–3.00	2510.0	2486.5	25,968	-
Jun	2507.0	2505.5	–3.00	2522.0	2499.5	2,218	-
OMX							
Mar	1480.00	1496.00	+18.00	1503.00	1478.00	5,720	20,888
SOFFEX							
Mar	3373.1	3385.0	+22.0	3393.0	3370.0	4,386	17,926
Jun	3362.0	3379.0	+26.0	3396.0	3361.0	12	2,215

** Sat Feb 24: Taiwan Weighted Price 4837.63; Korea Comp Ex 868.61. Base values of all indices are 100 except: Australia All Ordinary and Mining – 500; Austria Traded, BEL20, HEX Gen., MIB Gen., SBF250, CAC40, Euro Top-100, ISEQ Overall; Toronto Comp./Metals & Minerals and DAX – all 1,000; JSE Gold – 255.7; JSE 20 Industrials – 264.3; NYSE All Common – 50 and Standard and Poor's – 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Mar 1 - 2488.85 -3.67

† Correction. * Calculated at 15.00 GMT. ⊕ Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's. ¶ Subject to official recalculation.

US INDICES

Dow Jones	Mar 1	Feb 29	Feb 28	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Industrials	5536.56	5485.62	5506.21	5630.49 (23/2/96)	3832.08 (30/1/95)	5630.49 (23/2/96)	41.22 (2/7/32)
Home Bonds	104.66	104.63	104.93	108.59 (14/2/96)	93.63 (3/1/95)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2009.53	2051.58	2046.18	2111.37 (22/2/96)	1473.19 (3/1/95)	2111.37 (22/2/96)	12.32 (8/7/32)
Utilities	221.48	219.40	221.28	236.80 (12/2/96)	183.03 (3/1/95)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5562.21 (5525.07) Low 5440.46 (5467.07) (Theoretical)♦
Day's high 5573.41 (5530.92) Low 5424.20 (5438.49) (Actual)♦

Standard and Poors	Mar 1	Feb 29	Feb 28	1995/96 High	1995/96 Low	Since compilation High	Since compilation Low
Composite‡	644.37	640.43	644.75	661.45 (12/2/96)	459.11 (3/1/95)	661.45 (12/2/96)	4.40 (1/6/32)
Industrials¶	758.06	753.24	758.78	776.23 (22/2/96)	546.26 (3/1/95)	776.23 (22/2/96)	3.62 (21/6/32)
Financial	67.28	66.15	66.63	67.69 (23/2/96)	41.84 (3/1/95)	67.69 (23/2/96)	8.64 (1/10/74)
NYSE Comp.	345.10	342.80	344.82	351.79 (12/2/96)	250.73 (3/1/95)	351.79 (12/2/96)	4.46 (25/4/42)
Amex Mkt Val	583.44	582.00	586.08	578.18 (22/2/96)	433.12 (3/1/95)	578.18 (22/2/96)	29.31 (9/12/72)
NASDAQ Comp	1095.05	1100.05	1107.54	1117.79 (23/2/96)	743.58 (3/1/95)	1117.79 (23/2/96)	54.87 (31/10/72)

RATIOS

	Feb 23	Feb 16	Feb 9	Year ago
Dow Jones Ind. Div. Yield	2.12	2.16	2.13	2.69
	Feb 28	Feb 21	Feb 14	Year ago
S & P Ind. Div. yield	1.89	1.88	1.87	2.36
S & P Ind. P/E ratio	20.83	19.80	20.07	19.60

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Close price	Change on day
Compaq	22,622,600	41⅝	-9
Bay Network	14,123,700	35⅜	-5¼
LSI Logic	8,115,700	25⅜	-2
IBM	8,041,300	118⅝	-4½
K-Mart	7,461,200	7½	+⅛
Hanson	7,125,900	14⅜	+⅛
Micron Tech	6,308,200	31¼	-⅞
EMC	5,435,000	21¾	-⅞
Digital Eqp	4,721,400	64½	-7½
Horizon CMS	4,232,200	17⅝	-5⅞

TRADING ACTIVITY

Volume (million)	Mar 1	Feb 29	Feb 28
New York SE	474.61	448.213	447.600
Amex	26.467	22.583	27.409
NASDAQ	[illegible]	[illegible]	[illegible]
NYSE			
Issues Traded	3,097	3,086	3,097
Rises	1,423	885	1,208
Falls	885	1,472	1,101
Unchanged	748	726	788
New Highs	110	76	137
New Lows	22	32	22

S&P 500

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	637.85	647.25	+8.00	647.50	634.50	107,489	171,323
Jun	650.50	653.30	+9.05	653.60	641.20	10,410	47,133

Nikkei 225

	Open	Sett price	Change	High	Low	Est. vol.	Open int.
Mar	20010.0	20160.0	+90.0	20230.0	19980.0	16,649	112,774
Jun	20090.0	20200.0	+110.0	20260.0	19970.0	29,499	149,750

Open interest figures for previous day.

TOKYO - MOST ACTIVE STOCKS: Friday, March 1, 1996

	Stocks Traded	Closing Prices	Change on day
Shinko Electric	16.2m	906	+16
Yamaichi Secs	12.0m	780	+19
Pacific Metals	11.1m	676	+21
Oki Electric Ind	10.3m	931	+18
Isuzu Motors	6.2m	581	+22
NHK Spring	6.1m	631	+24
Teijin	6.6m	551	-8
Toshiba Corp	6.2m	813	
Ebara	6.2m	1930	+10
Kawasaki Hvy Ind	5.8m	511	+4

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. Highs/Lows are based on data from Jan 1 1995. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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CURRENCIES AND MONEY

POUND SPOT FORWARD AGAINST THE POUND

Mar 1		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	Day's Mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	Bank of Eng. Index
Europe													
Austria	(Sch)	15.8646	+0.0406	570 - 726	15.8998	15.8516	15.8348	2.3	15.7523	2.8	-	-	108.0
Belgium	(BFr)	46.3755	+0.1163	366 - 144	46.4620	46.3170	46.1542	2.7	45.9542	2.6	45.0942	2.5	108.2
Denmark	(DKr)	8.7151	+0.0207	113 - 189	8.7335	8.7094	8.6824	1.6	8.6623	1.5	8.5562	1.6	109.0
Finland	(FM)	6.9666	+0.0094	600 - 730	6.9940	6.9470	6.9537	0.8	6.9456	0.7	-	-	84.3
France	(FFr)	7.7297	+0.0166	268 - 325	7.7516	7.7213	7.7009	1.9	7.6819	1.6	7.6054	1.4	109.4
Germany	(DM)	2.2569	+0.0058	547 - 588	2.2626	2.2531	2.2439	3.2	2.235	2.7	2.1921	2.6	110.2
Greece	(Dr)	369.612	+0.919	501 - 123	370.756	369.050	-	-	-	-	-	-	66.2
Ireland	(I£)	0.9716	-0.0003	708 - 723	0.9728	0.9706	0.9709	1.2	0.9695	1.0	0.9655	0.7	97.6
Italy	(L)	2386.86	+3.49	521 - 852	2391.37	2377.73	2390.92	-3.8	2406.57	-3.9	2465.42	-3.4	74.0
Luxembourg	(LFr)	46.3755	+0.1163	366 - 144	46.4620	46.3170	46.1542	2.7	45.9542	2.6	45.0942	2.5	108.2
Netherlands	(Fl)	2.5251	+0.008	236 - 265	2.5356	2.5224	2.513	2.9	2.5008	2.9	2.4526	2.6	108.3
Norway	(NKr)	9.8140	+0.018	070 - 210	9.8526	9.8060	9.788	1.0	9.7745	0.8	9.7158	0.8	98.8
Portugal	(Es)	233.884	+0.322	708 - 059	235.618	233.463	233.987	-2.2	234.892	-2.3	-	-	95.2
Spain	(Pta)	189.759	+0.358	640 - 877	190.203	189.646	189.823	-2.7	190.678	-2.7	193.758	-2.3	81.9
Sweden	(SKr)	10.3390	+0.0043	295 - 475	10.3741	10.2944	10.3351	-0.2	10.3381	-0.2	10.3465	-0.1	87.2
Switzerland	(SFr)	1.8392	+0.0044	380 - 404	1.8452	1.8380	1.8282	4.3	1.8149	4.3	1.7632	3.9	113.5
UK	(£)	-	-	-	-	-	-	-	-	-	-	-	83.6
Ecu	-	1.2191	+0.0021	185 - 196	1.2218	1.2182	1.2158	1.4	1.2129	1.3	1.201	1.3	-
SDR†	-	1.043800	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	1.5280	-0.0027	274 - 285	1.5315	1.5240	-	-	-	-	-	-	-
Brazil	(R$)	1.5037	-0.0039	031 - 042	1.5084	1.5007	-	-	-	-	-	-	-
Canada	(C$)	2.0917	-0.0084	906 - 928	2.0995	2.0859	2.0884	0.9	2.0857	0.8	2.0658	0.7	83.9
Mexico	(New Peso)	11.6036	-0.0619	929 - 143	11.6302	11.5829	-	-	-	-	-	-	-
USA	($)	1.5284	-0.0025	280 - 288	1.5323	1.5246	1.5296	1.0	1.5279	0.8	1.5189	0.8	95.6
Pacific/Middle East/Africa													
Australia	(A$)	2.0072	+0.0051	060 - 084	2.0084	1.9966	2.004	-1.1	2.0088	-1.3	2.0321	-1.5	89.0
Hong Kong	(HK$)	11.8169	-0.0169	130 - 207	11.8482	11.7867	11.8254	1.1	11.813	0.8	11.765	0.6	-
India	(Rs)	52.8063	-0.2777	632 - 494	53.1190	52.5100	-	-	-	-	-	-	-
Israel	(Shk)	4.7409	-0.0056	363 - 455	4.7509	4.7348	-	-	-	-	-	-	-
Japan	(Y)	161.178	+0.173	082 - 273	161.750	161.050	160.24	6.7	158.73	5.6	152.855	5.1	137.8
Malaysia	(M$)	3.8903	-0.0117	885 - 920	3.9026	3.8832	-	-	-	-	-	-	-
New Zealand	(NZ$)	2.2679	-0.006	664 - 693	2.2759	2.2640	2.2777	-2.0	2.2808	-3.0	2.2847	-2.2	105.6
Philippines	(Peso)	40.0135	-0.0272	266 - 004	40.1004	39.9266	-	-	-	-	-	-	-
Saudi Arabia	(SR)	5.7320	-0.0096	303 - 336	5.7484	5.7182	-	-	-	-	-	-	-
Singapore	(S$)	2.1581	-0.0038	568 - 594	2.1628	2.1536	-	-	-	-	-	-	-
South Africa	(R)	5.9631	+0.0295	439 - 623	5.9816	5.8867	-	-	-	-	-	-	-
South Korea	(Won)	1196.05	-1.96	535 - 674	1198.72	1193.46	-	-	-	-	-	-	-
Taiwan	(T$)	42.0280	-0.0687	184 - 405	42.1337	41.9250	-	-	-	-	-	-	-
Thailand	(Bt)	38.5463	-0.0477	209 - 716	38.6270	38.4730	-	-	-	-	-	-	-

† Rates for Feb 29 Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid-rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Mar 1		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	Day's mid low	One month Rate	One month %PA	Three months Rate	Three months %PA	One year Rate	One year %PA	J.P Morgan index
Europe													
Austria	(Sch)	10.3800	+0.0494	776 - 824	10.4130	10.3460	10.364	1.8	10.3325	1.8	10.21	1.6	105.9
Belgium	(BFr)	30.3425	+0.1255	250 - 600	30.4370	30.2450	30.2975	1.8	30.2055	1.8	29.8725	1.5	107.9
Denmark	(DKr)	5.7021	+0.0228	011 - 031	5.7185	5.6835	5.6987	0.7	5.6931	0.6	5.7096	-0.1	108.3
Finland	(FM)	4.5581	+0.013	550 - 611	4.5751	4.5379	4.5536	1.2	4.5451	1.1	4.5286	0.6	83.7
France	(FFr)	5.0574	+0.0191	568 - 579	5.0790	5.0416	5.0534	1.0	5.0477	0.8	5.0334	0.5	109.0
Germany	(DM)	1.4759	+0.0062	756 - 762	1.4825	1.4715	1.4738	1.7	1.4692	1.8	1.4526	1.6	108.7
Greece	(Dr)	241.960	+0.895	820 - 100	242.880	240.910	243.535	-7.8	246.765	-8.0	261.46	-8.1	65.7
Ireland	(I£)	1.5732	-0.0021	724 - 740	1.5775	1.5690	1.5735	-0.2	1.5737	-0.1	1.5677	0.3	-
Italy	(L)	1561.68	+4.84	100 - 235	1564.35	1552.30	1568.03	-4.9	1579.78	-4.6	1630.68	-4.4	73.4
Luxembourg	(LFr)	30.3425	+0.1255	250 - 600	30.4370	30.2450	30.2905	2.1	30.2025	1.8	29.8875	1.5	107.9
Netherlands	(Fl)	1.6521	+0.0069	516 - 526	1.6589	1.6470	1.649	2.2	1.6425	2.3	1.6203	1.9	107.8
Norway	(NKr)	6.4211	+0.0223	182 - 240	6.4552	6.4025	6.4188	0.4	6.4106	0.7	6.3936	0.4	98.1
Portugal	(Es)	153.025	+0.46	950 - 100	154.200	152.740	153.4	-2.9	154.17	-3.0	157.775	-3.1	95.3
Spain	(Pta)	124.155	+0.435	110 - 200	124.550	123.830	124.55	-3.8	125.285	-3.6	128.775	-3.7	81.6
Sweden	(SKr)	6.7640	+0.0139	595 - 684	6.7887	6.7226	6.7811	-3.0	6.8105	-2.7	6.948	-2.7	86.5
Switzerland	(SFr)	1.2034	+0.0049	029 - [illegible]	[illegible]	1.1989	1.1998	3.6	1.1929	3.5	1.1691	2.9	112.9
UK	(£)	1.5284	-0.0025	280 - 288	1.5323	1.5246	1.5271	1.0	1.5254	0.8	1.5164	0.8	83.0
Ecu	-	1.2538	-0.0042	535 - 540	1.2550	1.2491	1.2541	-0.3	1.2545	-0.2	1.2551	-0.1	-
SDR†	-	0.68080	-	-	-	-	-	-	-	-	-	-	-
Americas													
Argentina	(Peso)	0.9997	-0.0002	996 - 998	1.0000	0.9996	-	-	-	-	-	-	-
Brazil	(R$)	0.9838	-0.001	837 - 839	0.9844	0.9835	-	-	-	-	-	-	-
Canada	(C$)	1.3686	-0.0032	683 - 688	1.3705	1.3667	1.3688	-0.1	1.3689	-0.1	1.3739	-0.4	82.8
Mexico	(New Peso)	7.5920	-0.028	870 - 970	7.5970	7.5870	7.5942	-0.4	7.5974	-0.3	7.6023	-0.1	-
USA	($)	-	-	-	-	-	-	-	-	-	-	-	96.4
Pacific/Middle East/Africa													
Australia	(A$)	1.3132	+0.0055	129 - 137	1.3137	1.3106	1.3152	-1.8	1.3187	-1.7	1.3374	-1.8	90.3
Hong Kong	(HK$)	7.7315	+0.0002	310 - 320	7.7322	7.7510	7.7322	-0.1	7.734	-0.1	7.761	-0.4	-
India	(Rs)	34.5500	-0.125	000 - 000	34.7000	34.3000	34.7	-5.2	35.005	-5.3	36.475	-5.6	-
Israel	(Shk)	3.1018	+0.0015	997 - 041	3.1050	3.0997	-	-	-	-	-	-	-
Japan	(Y)	105.455	+0.285	420 - 490	[illegible]	105.150	105.02	[illegible]	104.22	4.7	101.15	4.1	138.5
Malaysia	(M$)	2.5453	-0.0035	448 - 458	2.5485	2.5448	2.5462	-0.4	2.5523	-1.1	2.5758	-1.2	-
New Zealand	(NZ$)	1.4837	-0.0015	832 - 843	1.4850	1.4832	1.4868	-2.5	1.4926	-2.4	1.5172	-2.3	-
Philippines	(Peso)	26.1800	+0.025	300 - 300	26.2300	26.1300	-	-	-	-	-	-	-
Saudi Arabia	(SR)	3.7503	-0.0002	502 - 504	3.7504	3.7502	3.7508	-0.1	3.7515	-0.1	3.7548	-0.1	-
Singapore	(S$)	1.4120	-0.0002	115 - 125	1.4130	1.4115	1.4084	3.0	1.4024	2.7	1.377	2.5	-
South Africa	(R)	3.8950	+0.025	900 - 000	3.9075	3.8500	3.9238	-8.9	3.9752	-8.2	4.1985	-7.8	-
South Korea	(Won)	782.550	-	300 - 800	-	-	785.55	-4.6	789.05	-3.3	807.55	-3.2	-
Taiwan	(T$)	27.4980	-	970 - 990	27.4990	27.4970	27.518	-0.9	27.558	-0.9	-	-	-
Thailand	(Bt)	25.2200	+0.01	100 - 300	25.2300	25.1400	25.3187	-4.7	25.5225	-4.8	26.405	-4.7	-

† SDR rate per $ for Feb 29. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Feb 29: Base average 1990=100

WORLD INTEREST RATES

MONEY RATES

[illegible]

EURO CURRENCY INTEREST RATES

[illegible]

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Mar 1		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.79	16.67	4.865	2.096	5146	5.445	21.16	504.2	409.1	22.30	3.966	2.157	4.512	3.295	347.6	2.629
Denmark	(DKr)	53.21	10	8.869	2.589	1.115	2738	2.897	11.26	268.3	217.7	11.86	2.110	1.147	2.400	1.753	185.0	1.399
France	(FFr)	59.99	11.28	10	2.919	1.258	3087	3.267	12.70	302.5	245.4	13.38	2.379	1.294	2.707	1.977	208.6	1.577
Germany	(DM)	20.55	3.863	3.426	1	0.431	1058	1.119	4.350	103.6	84.09	4.583	0.815	0.443	0.927	0.677	71.45	0.540
Ireland	(I£)	47.71	8.966	7.952	2.321	1	2455	2.598	10.10	240.5	195.2	10.64	1.892	1.029	2.152	1.572	165.8	1.254
Italy	(L)	1.943	0.365	0.324	0.095	0.041	100.	0.106	0.411	9.799	7.951	0.433	0.077	0.042	0.088	0.064	6.755	0.051
Netherlands	(Fl)	18.36	3.451	3.061	0.893	0.385	945.0	1	3.887	92.59	75.13	4.095	0.728	0.396	0.829	0.605	63.84	0.483
Norway	(NKr)	47.25	8.880	7.876	2.299	0.990	2431	2.573	10	238.2	193.3	10.54	1.874	1.019	2.132	1.557	164.3	1.242
Portugal	(Es)	19.83	3.728	3.306	0.965	0.416	1021	1.080	4.198	100.	81.14	4.423	0.787	0.428	0.895	0.654	68.95	0.521
Spain	(Pta)	24.44	4.594	4.074	1.189	0.512	1258	1.331	5.173	123.2	100.	5.451	0.969	0.527	1.103	0.805	84.98	0.643
Sweden	(SKr)	44.85	8.428	7.475	2.182	0.940	2308	2.442	9.491	226.1	183.5	10	1.779	0.967	2.023	1.478	155.9	1.179
Switzerland	(SFr)	25.21	4.739	4.203	1.227	0.529	1297	1.373	5.337	127.1	103.2	5.623	1	0.544	1.138	0.831	87.66	0.663
UK	(£)	46.37	8.715	7.729	2.256	0.972	2386	2.525	9.814	233.8	189.7	10.34	1.839	1	2.092	1.528	161.2	1.219
Canada	(C$)	22.17	4.166	3.695	1.078	0.465	1141	1.207	4.691	111.8	90.68	4.943	0.879	0.478	1	0.730	77.06	0.583
US	($)	30.35	5.704	5.058	1.476	0.636	1562	1.652	6.423	153.0	124.1	6.767	1.204	0.654	1.369	1	105.5	0.798
Japan	(Y)	28.77	5.406	4.795	1.400	0.603	1480	1.566	6.088	145.0	117.7	6.414	1.141	0.620	1.298	0.948	100.	0.756
Ecu		38.04	7.149	6.340	1.851	0.797	1957	2.071	8.051	191.8	155.6	8.482	1.509	0.820	1.716	1.253	132.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

FT GOLD MINES INDEX

[illegible]

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. For a full explanation of all other symbols please refer to The London Share Service notes.

RIGHTS OFFERS

[illegible]

■ D-MARK FUTURES (IMM) DM 125,000 per DM

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

■ STERLING FUTURES (IMM) £62,500 per £

■ PHILADELPHIA SE £/$ OPTIONS £31,250 (cents per pound)

[illegible]

■ Pound in New York

[illegible]

FT GUIDE to WORLD CURRENCIES

The FT Guide to World Currencies table can be found on the Emerging Markets page in today's edition.

UK INTEREST RATES

LONDON MONEY RATES

[illegible]

BANK OF ENGLAND TREASURY BILL TENDER

[illegible]

BANK RETURN

[illegible]

BASE LENDING RATES

[illegible]

UK GILTS PRICES

[illegible]

Other Fixed Interest

[illegible]

STOCK INDICES

[illegible]

Notice to the Holders of

Nankai Electric Railway Co., Ltd.
(the "Company")

Warrants to subscribe for shares of common stock of the Company (the "Shares") issued with

U.S. $300,000,000
3⅜ per cent. Guaranteed Bonds 1996
U.S. $300,000,000
1⅝ per cent. Bonds 1997
and
U.S. $100,000,000
2⅝ per cent. Bonds 2000

"Adjustments of Subscription Prices"

Notice is hereby given that the Company has resolved at the meeting of the Board of Directors held on 16th February, 1996 to split, on 20th May, 1996, the Shares owned by the shareholders appearing on the register of shareholders of the Company as at the close of such register on 31st March, 1996 (Japan time) at the rate of one point zero five (1.05) Shares to one (1) Share held by them (the 'Stock Split'). As a result of such Stock Split, the Company adjusted the Subscription Prices of the captioned three Warrants as follows:

1. Warrants issued with U.S. $300,000,000 3⅜ per cent. Guaranteed Bonds 1996
   Subscription Price before adjustment: ¥709.6 per Share
   Subscription Price after adjustment: ¥675.8 per Share
2. Warrants issued with U.S. $300,000,000 1⅝ per cent. Bonds 1997
   Subscription Price before adjustment: ¥764.5 per Share
   Subscription Price after adjustment: ¥728.1 per Share
3. Warrants issued with U.S. $100,000,000 2⅝ per cent. Bonds 2000
   Subscription Price before adjustment: ¥746.0 per Share
   Subscription Price after adjustment: ¥710.5 per Share
4. Effective date of above adjustments: 1st April, 1996 (Japan time)

Nankai Electric Railway Co., Ltd.
1-60, Namba 5-Chome, Chuo-Ku, Osaka, Japan

By order: The Sanwa Bank, Limited
as Principal Paying Agent

Dated: 4th March, 1996

FT MANAGED FUNDS SERVICE

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OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

Fidelity Currency Funds Ltd

Jupiter Tyndall (Bermuda) Ltd

Newport Investment Management

Orion Fund Limited

BERMUDA (REGULATED)(**)

Bermuda Intl Invmnt Mgmnt Ltd

GUERNSEY (SIB RECOGNISED)

Royal Bk of Canada O/S Fd Mgrs Ltd - Contd.

Sarasin Funds Mngmt (Guernsey) Ltd

Schroder Investment Mngmt (Guernsey) Ltd

GUERNSEY (REGULATED)(**)

ANZ Mngmt Co (Guernsey) Ltd

Apollo Investment Management Ltd

Arab Bank Fund Managers (Guernsey) Ltd

BZW Asset Management Guernsey Ltd

Bachmann Global Investment Fund Ltd

CIBC Fund Managers (Guernsey) Ltd

Commercial Union Captives Inv Mngt

Consulta (Channel Islands) Limited

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)(**)

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OTHER OFFSHORE FUNDS

OFFSHORE INSURANCES

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	W'k% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Allied Domecq	♣♥☐	511	-1.7	Q29.5	1.2	Feb Jul	4.12	1650
Bulmer (HP)	♣♥	559	0.4	12.3	2.8	Feb Sep	8.1	2005
Burn St Dist	♣♥☐	120	0.8	6.0	0.9	May Nov	30.10	1518
Grand Met	♣♥☐	437xd	-1.5	14.9	1.6	Apr Oct	29.12	2759
Guinness	♣♥☐	459	2.9	14.1	2.3	Nov May	9.10	2781
Highland	♣♥☐	358	1.1	7.9	2.7	Jan Jun	4.12	2880
Kirin Y	☐	757	-1.0	Q29%	4.2	Mar Sep	–	1119
Macallan-Glen	♣♥	183	1.2	1.32	3.4	Nov May	2.10	3254
Macdon Martin A	♣♥	635	-1.2	10.9	3.3	Jan Jul	11.12	3257
Matthew Clark	♣♥☐	683xd	0.4	22.0	0.2	Apr Oct	29.1	2153
Merrydown	♣♥	105	-4.6	2.0	–	Jan Oct	11.12	3262
Seagram $		£22⅝	-5.9	Q60c	–	MrJeSeDe	3.11	–

BANKS, MERCHANT

	Notes	Price	W'k% ch'nge	Div net	Div cov	Dividends paid	Last xd	City line
Barings 8pc Cm 2nd Prf		60½	—	8%	–	[illegible]	[illegible]	1757
Cater Allen	♣♥	457	-2	30.0	2.0	Jan Aug	11.12	2081
Close Bros	♣♥☐	390	7.4	8.7	2.5	Apr Nov	9.10	2165
Gerrard & Nat	♣♥	418	—	22.5	1.3	Jul Dec	13.11	2886
Hambros	♥☐	212	3.9	7.5	–	Aug Dec	27.11	2812
7½pc Cv Pf		101xd	—	7½%	–	Oct Apr	26.2	4385
Joseph (L)	♣♥	490	—	18.75	1.6	Sep Jan	11.12	3050
King & Shaxson	♣♥☐	155	—	9.0	1.4	Jan Jul	22.12	3088
Rea Brothers	♣♥	60	—	1.0	2.4	May Sep	14.8	3785
Schroders	♣†♥☐	1270	-2	14.17	5.1	May Oct	18.9	3939
N/V	†♥	995	—	14.17	5.1	May Oct	18.9	3941
Singer & Fried	♣♥☐	110	—	3.7	2.7	Nov Jun	25.9	4028
8½pc Cv Ln 09/14		£133	-2	8½%	–	–	19.10	4845
Union	♣♥☐	102	3.0	3.8	♦	Apr Aug	31.7	4353
Wintrust	♣♥	304xd	1.0	11.72	1.5	Mar Oct	26.2	4524

BANKS, RETAIL

BREWERIES, PUBS & REST

BUILDING & CONSTRUCTION

BUILDING MATS. & MERCHANTS

BUILDING MATS. & MERCHANTS - Cont.

CHEMICALS

DISTRIBUTORS

DIVERSIFIED INDUSTRIALS

ELECTRICITY

ELECTRONIC & ELECTRICAL EQPT

ELECTRONIC & ELECTRICAL EQPT - Cont.

ENGINEERING

ENGINEERING, VEHICLES

EXTRACTIVE INDUSTRIES

EXTRACTIVE INDUSTRIES - Cont.

FOOD PRODUCERS

GAS DISTRIBUTION

HEALTH CARE

HOUSEHOLD GOODS

HOUSEHOLD GOODS - Cont.

INSURANCE

INVESTMENT TRUSTS

INVESTMENT TRUSTS - Cont.

INV TRUSTS SPLIT CAPITAL

INV TRUSTS SPLIT CAPITAL - Cont.

LEISURE & HOTELS - Cont.

OTHER FINANCIAL - Cont.

PROPERTY - Cont.

SUPPORT SERVICES - Cont.

AIM - Cont.

LIFE ASSURANCE

PAPER, PACKAGING & PRINTING

MEDIA

RETAILERS, FOOD

TELECOMMUNICATIONS

AMERICANS

TEXTILES & APPAREL

RETAILERS, GENERAL

PHARMACEUTICALS

CANADIANS

OTHER INVESTMENT TRUSTS

TOBACCO

SOUTH AFRICANS

	Notes	Price	W'k% ch'nge	Div net	Div cov.	Dividends paid	Last xd	City line
Anglo Am Ind		£28½	.....	0475c	2.4	Oct Apr	3'93	–
Barlow	♣	63¾	–8.0	064c	♦	Jan Jul	11.12	–
Gold Flds Prop R		145sd	–5.7	060c	2.1	Mar Sep	26.2	–
MK Props.		85	.....	083.8c	–	Mar Sep	1.9	–
SASOL	♥	567	9.7	078c	–	Oct	9'93	–
SA Brews		822¼	–4.7	0280c	2.1	Jan Dec	27.11	–
Standard Bank	□	£22¼	2.0	0284c	3.1	Sep Mar	–	–
Tiger Oats		1150	–2.1	0310c	♦	Jan Aug	11.12	–
Tongaat-Hulett	†	1064	–6.6	0110c	2.7	Jan Jun	4.12	–

TRANSPORT

INVESTMENT COMPANIES

OIL EXPLORATION & PRODUCTION

PHARMACEUTICALS - Cont.

RETAILERS, GENERAL - Cont.

PROPERTY

WATER

OIL, INTEGRATED

SUPPORT SERVICES

AIM

OTHER FINANCIAL

LEISURE & HOTELS

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown. Prices and net dividends are in pence unless otherwise indicated.

Where stocks are denominated in currencies other than sterling, this is indicated after the name

Dividend covers are based on "maximum" distribution; unless "v" is shown in the Notes field, indicating that the cover is calculated on a "net" basis. Market Capitalisations are published on Tuesdays-Saturdays except for Investment Trusts and British Funds.

- □ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ) and non-UK stocks through the SEAQ International system.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ⊕ Figures or report awaited
- ♥ Rule 2.1(a)(v) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- ∦ Price at time of suspension
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend; cover based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Annualised dividend. b Figures based on prospectus or other official estimates. c Cents. g Assumed dividend. h Assumed dividend after scrip issue. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend excludes a special payment. t Indicated dividend: cover relates to previous dividend. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v P/e ratio & net cover calculated under new ACT guidelines. z Dividend includes a special payment: Cover does not apply to special payment. F Dividend based on prospectus or other official estimates for 1994-95. G Assumed dividend after pending scrip and/or rights issue. H Dividend based on prospectus or other official estimates for 1995. K Dividend based on prospectus or other official estimates for 1996. L Estimated annualised dividend, cover based on latest annual earnings. M Dividend based on prospectus or other official estimates for 1995-96. Q Gross. R Forecast annualised dividend, cover based on prospectus or other official estimates. W Pro forma figures. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xc ex capital distribution

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

FT Share Service

The following changes have been made to the FT Share Information Service: **Additions:** **Ormonde** (Extr Inds), **Medialkey** (Media) and **Albion** (Text). **Deletions:** **Molyneux Ests** (Prop).

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Reports published by ShareFinder Ltd.

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The share prices printed on these pages are also available on the Internet at www.FT.com.

4 pm close March 1

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1995/96 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chg'e Prev. Close
22⅞	12⅞	AAR	0.42	2.4	23	621	20	19½	19⅞	+⅛
46¾	35	AMP	1.00	2.4	21	5106	42⅞	41⅞	42½	-⅛
89¾	53⅜	AMR			35	8088	u89¾	88	89	+1¼
50½	36⅜	ASA	2.00	4.3	30	937	47	45¾	46⅛	-⅞
44⅜	30¾	AbbtL	0.96	2.3	19	16834	42⅞	41⅝	42	+¼
18⅞	12	Abitibi Pr x	0.40	2.8	7	812	14⅛	13⅞	14⅛	+⅛
29⅝	21	ABM Ind	0.70	2.4	15	34	29⅜	29¼	29⅜	
17½	13⅛	Acpncain			10	154	14¾	14½	14½	-¼
50⅜	21⅞	ACE Ltd	0.56	1.2	11	1167	47⅞	46⅞	47¾	+1
9⅞	8⅛	ACM Gvt In	0.90	9.4	8	111	9¾	9⅝	9⅝	
7⅞	6½	ACM GvOpp	0.66	8.7		54	7¾	7⅝	7⅝	
7½	5¾	ACM Gvt Sp	0.75	10.5		89	7⅛	7	7⅛	
9⅛	7¼	ACM Gvt Se	0.90	10.1		373	9	8⅞	8⅞	-⅛
9½	7⅝	ACM Man	0.90	9.7		408	9¼	9⅛	9¼	+⅛
29¼	10¼	AcmeClv	0.52	2.7	4	338	19½	19⅛	19¼	+⅛
38¾	6⅝	Acme Elect			56	35	6⅞	6¾	6¾	
34½	23¾	Acordia	0.72	2.6	15	53	28⅛	28	28	
16¾	10⅛	Acuson			45	309	14¾	14⅝	14⅝	-⅛
19⅝	15⅝	Adams Expr	0.36	1.9	0	490	19⅜	19⅛	19¼	
38⅞	16⅛	AdvMic			6	11143	19½	18¾	19⅛	-¼
10¼	5	Advest Grp	0.16	1.7	8	61	9½	9⅜	9½	+⅛
27½	16½	Advo Inc	0.10	0.4	23	1214	22¼	21⅞	22¼	+⅜
46¾	24.80	Aegon	1.28	2.9	16	32	44	43¾	43¾	+⅜
6⅞	3⅜	Aeriflx			9	349	5⅛	5	5⅛	+⅛
76¾	45¾	AetnaL	2.76	3.7	38	6989	76	74½	75¼	-⅜
49½	31⅞	Aflac	0.52	1.1	14	6794	47⅞	46⅝	47⅝	+1¼
28⅜	16	Ahmnsn	0.88	3.8	7	5967	23⅛	22¾	23⅛	+⅜
59½	43⅞	AirPrC	1.04	1.9	16	2672	54¼	53¼	54¼	+1

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Continued on next page

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4 pm close March 1

NYSE COMPOSITE PRICES

1995/96 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
Continued from previous page										
18¼	9	SFeGd	0.05	0.3	50	3428	15⅝	16⅛	15¾	-⅛
38⅝	30½	SFePPipe	3.00	7.9	18	23	38	37¾	37¾	-⅛
35½	24¼	SaraLee x	0.76	2.3	19	11640	33½	32½	33⅜	+1
60¼	39⅝	SBC Cm	1.65	3.1	17	6629	55¼	53¾	54	-⅞
28⅝	20½	Scana Corp	1.47	5.4	16	523	27¾	27¼	27¼	-¼
[illegible]										

1995/96 High	Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17¼	12½	Talley Pf	1.00	8.1		2	[illegible]			
53	37⅞	Tmbrnds x	1.84	3.7	21	762	[illegible]			
19¾	9¼	Tandem			15	2737	[illegible]			
64⅝	34⅛	Tandy	0.80	1.8	13	3299	[illegible]			
10¾	9	Taurus Mun	0.66	6.6		131	[illegible]			
3	1¼	TCCInd			63	19	[illegible]			
[illegible]										

- V -

- W -

- U -

- X - Y - Z -

- T -

Price data supplied by Telekurs

FT Free Annual Reports Service

NASDAQ NATIONAL MARKET

4 pm close March 1

Stock	Div.	P/ E	Sls 100s	High	Low	Last	Chng
[illegible]							

- A - - B - - C - - D - - E - - F - - G - - H - - I - - J - - K - - L - - M - - N - - O - - P - Q - - R - - S - - T - - U - - V - - W - - X - Y - Z -

AMEX COMPOSITE PRICES

4 pm close March 1

Stock	Div.	P/ E	Sls 100s	High	Low	Close	Chng
[illegible]							

FT GUIDE TO THE WEEK

MONDAY 4

Mayhew meets Spring

The British and Irish governments launch the next phase of the Northern Ireland peace process with intensive consultations on the format and agenda for all-party negotiations, now set for June 10. The Northern Ireland secretary, Sir Patrick Mayhew, and the Irish deputy prime minister, Dick Spring, finalise details for the talks at a meeting in Belfast. The other constitutional parties are invited to put their ideas for elections and other matters before March 13. The two governments have said Sinn Fein can join the process once the IRA reinstates its ceasefire.

UK nuclear sell-off plan

British Energy, the company created for the sell-off of the UK nuclear power industry, unveils financial details as the first step towards its privatisation. The details will include the performance of its nuclear reactors, cost-cutting achieved and an indication of the company's prospects. The privatisation, which is scheduled for mid-summer and is one of the government's most controversial, will consist of seven advanced gas-cooled reactors and one pressurised water reactor. The older magnox reactors will remain in state ownership. The sale, which is expected to realise about £2.5bn, will be resisted by the Labour party on the grounds that it jeopardises safety.

Noriega appeal hearing

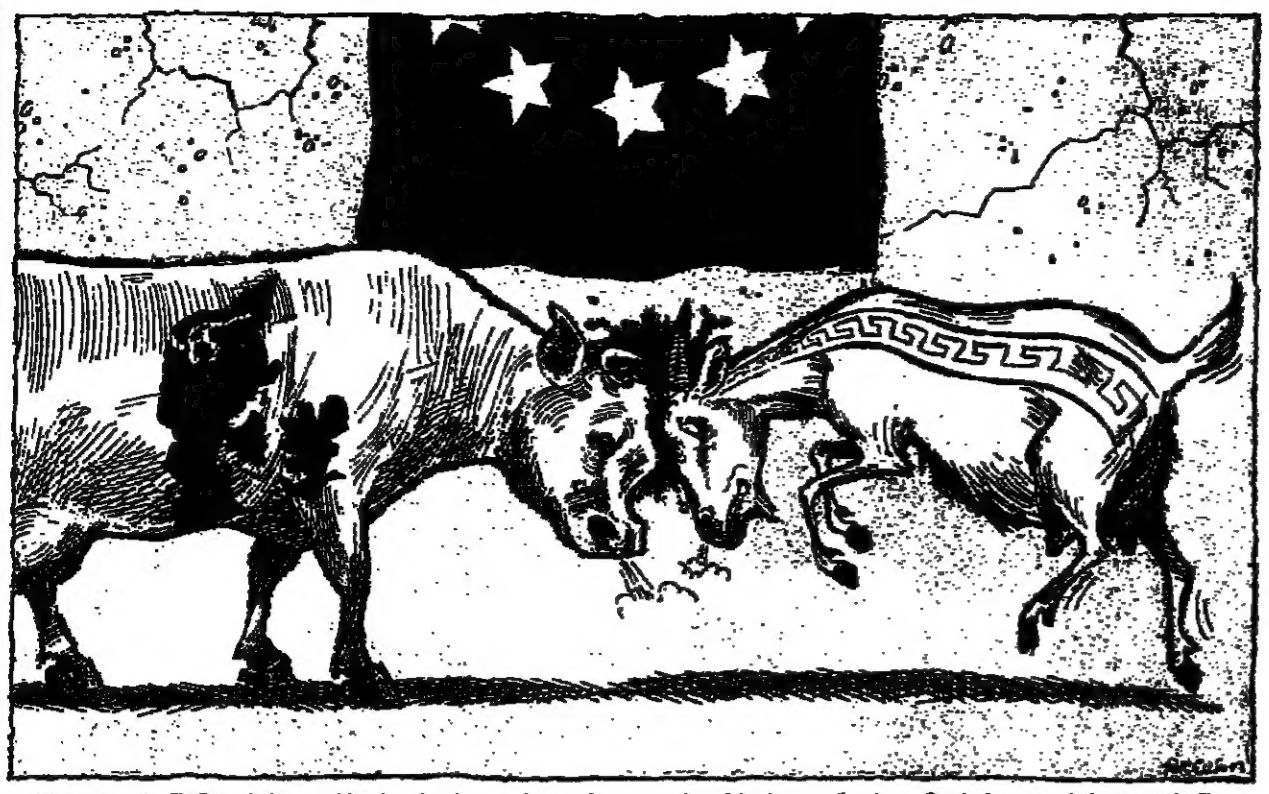
The former Panamanian dictator, Manuel Noriega, gets a hearing in the federal court in Miami regarding his request for a new trial on charges that he accepted protection money from Colombia's Medellin cocaine cartel to allow the transhipment of the drug to the US via Panama. Mr Noriega was convicted in April 1992 and sentenced to 40 years in prison. His lawyers claim that, in order to obtain testimony against Mr Noriega, the US government paid $1.25m (£810,000) to the Cali cartel and arranged a sentence reduction for one of its affiliates.

S Africa murder trial starts

The trial begins in South Africa of Magnus Malan, a former defence minister, and 19 others charged with conspiracy to murder supporters of the ANC and its allies between 1985 and 1989. This will revive controversy surrounding Chief Mangosuthu Buthelezi, the home affairs minister and Inkatha Freedom Party leader, who is not on trial. He is alleged to have conspired with military intelligence in covert operations against anti-apartheid activists. Inkatha's deputy secretary-general, Zakhele Khumalo, a close confidant of Chief Buthelezi, is among the 20 people facing 13 counts of murder.

John Major in far east

John Major, the British prime minister, completes a three-day stay in Hong Kong.



On Wednesday, the EU Commission considers banning the generic use of names such as feta cheese – listed as a Greek cheese made from goats' milk

A government official said Mr Major would be confirming "Britain's commitment to a successful transition to Chinese sovereignty". On Tuesday, Mr Major visits South Korea, where he will focus on strengthening its economic links with the UK.

Cricket

World Cup: West Indies v Australia, Jaipur, India. Group matches continue to March 6; quarter-finals start March 9.

Public holidays

Guam, Malawai, Nepal, Sri Lanka.

TUESDAY 5

Republican primaries

Voters in the Republican presidential primaries go to the polls in Colorado, Connecticut, Georgia, Maine, Maryland, Massachusetts, Rhode Island and Vermont on what is dubbed junior Tuesday. The contest in the delegate-rich New York state follows on Thursday. Bob Dole, the senate majority leader, fresh from a convincing victory in South Carolina, will be looking for more decisive wins. The viability will be tested of Steve Forbes, the millionaire publisher, after his surprise triumph in Arizona. Lamar Alexander, the former Tennessee governor, will need to do well in Georgia to continue and Pat Buchanan, the conservative commentator, will be selling his message of economic isolationism and social conservatism.

Chinese congress convenes

China's 3,000 delegates to its National People's Congress convene in Beijing's Great Hall of the People. Top of the agenda is the country's ninth Five Year Plan (1996-2000). The congress, which meets annually, will also approve a new budget and review legislation. The premier, Li Peng, is expected to emphasise the need for continued economic consolidation after the recent break-neck growth. Further reductions in inflation will be one of the main objectives.

Birmingham airport decision

Solihull council decides whether to approve plans for a £256m expansion of Britain's fifth biggest airport. Birmingham International Airport would almost double in size over 10 years by expanding its passenger terminal and increasing aircraft stands. This would make the airport the UK's fourth largest – after Heathrow, Gatwick and Manchester – with about 9.4m passengers. However, councillors are concerned about the environmental impact on about 300 homes just 400 yards from the runway.

FT Surveys

World Motor Industry; Credit Management.

Public holidays

Israel, Nepal, Tahiti, Vanuatu.

WEDNESDAY 6

Feta cheese fight

The EU Commission considers banning the generic use of some product names – such as feta cheese and parma ham. The commissioners will be asked to approve a list of 318 products, including Kentish Ale, Rutland Bear, lavender oil from Provence, West Country farmhouse cheddar and 20 regional varieties of olive oil. If the list is approved, producers will be barred from using the names generically. Denmark, in particular, is upset at the inclusion of feta cheese, which is listed as a Greek cheese made from goats' milk. This would prevent Denmark from marketing its home-produced variety which, furthermore, is made from cows' milk.

German jobless gloom

German unemployment figures for February are expected to show another sharp increase, reflecting bad weather and a weak economy. The opposition Social Democratic Party has forecast that the seasonally unadjusted jobless figure could reach a record of nearly 4.4m, up from 4.16m in January. The seasonally adjusted jobless rate is expected to jump above the 10 per cent in January. Further gloomy news is due on Thursday, when GDP figures are released for the final quarter of 1995: the government has already warned of a slight fall compared with the third quarter, and only marginal growth compared with the fourth quarter of 1994.

Sudan offers elections

Sudan's military regime, accused by western governments of human rights violations and suspected of links with extremist Islamic terrorist groups, makes a bid for respectability when it holds presidential and parliamentary elections (to Mar 17) for the first time since the former civilian prime minister, Sadeq al-Mahdi, was overthrown in June 1989. Not much is expected to change, however: the combination of a boycott by the former civilian political parties, and the problems of voting in the war-affected south, will almost certainly leave President Omar Hassan al-Bashir in charge.

FT Survey

Review of Information Technology.

Public holidays

Ghana (Independence Day).

THURSDAY 7

Palestinian council sits

The 88-member Palestinian legislative council, which will run Palestinian autonomous areas in the West Bank and Gaza, holds its inaugural session in Gaza City. Many Palestinians see the council as an important milestone on the road to statehood. Headed by Yassir Arafat, it will play a vital role in final-status talks with Israel. Most members belong to Arafat's Fatah movement and support the peace process. However, Mr Arafat faces a sizable opposition. And Hamas, the Islamic Resistance Movement, which opposes the peace process and boycotted the elections, is glaringly absent.

Rape verdict in Japan

The Naha district court in Japan rules on the three US servicemen accused of raping a schoolgirl in Okinawa prefecture last September. The incident has provoked a serious debate in Japan over US military bases in Okinawa, the biggest US military presence in Asia.

Geneva car show

The Geneva motor show opens. Highlights include Renault's Fiftie, a small mid-engined two-seater concept car commemorating the 50th anniversary of the 4CV, Renault's post-war people's car; a V8-engined Lotus; a convertible Peugeot 406 styling exercise which is a possible for production; and Maxx, General Motors' prototype of a possible city car.

FT Surveys

Peru; Franchising.

FRIDAY 8

Andean Pact summit

Six Latin American presidents start a two-day meeting in Trujillo, on the Peruvian coast 300 miles north of Lima. They will be hoping the so-called city of eternal spring helps rejuvenate the Andean Pact which, after a quarter of a century of existence, is flagging badly and is overshadowed by the newer Mercosur and Nafta free-trade agreements.

Iran elects parliament

Up to 40m Iranians are entitled to vote for 3,232 candidates from more than a dozen lists of political groups in a parliamentary election in Iran. Parties as such are banned under the 1981 Islamic constitution, which gives the Shia clergy a monopoly over political life. The leftist clergy are largely discredited, however. The make-up of the new 270-seat Majlis will be seen as a verdict on President Hashemi Rafsanjani's attempts to liberalise the economy.

Mastering Management

MM The FT's 20-part series continues in the UK edition with part 18. Non-UK readers can take out a subscription. Contact: PO Box 384, Sutton, Surrey, SM1 4XE, UK. Tel: +44 181 770 9772, Fax: +44 181 643 7330.

Athletics

European indoor championships, Stockholm (to Mar 10).

FT Survey

European Business Property.

Public holidays

Azerbaijan, Belarus, Belize, Georgia, Liberia, Russia, Syria, Turkmenistan, Uganda, Ukraine.

SATURDAY 9

Sampaio installed in Portugal

Jorge Sampaio, a former mayor of Lisbon, is sworn in as Portugal's new president, succeeding fellow-socialist Mário Soares, who is retiring at 71. Mr Sampaio's election is the first time since the return of democracy in 1974 that the Portuguese have chosen a president from the same party as the government. Although limited, the president's powers include deciding when to call elections. Mr Sampaio could provide vital support for António Guterres, the prime minister, whose socialists are four seats short of an overall parliamentary majority.

EU ministers in Palermo

EU foreign ministers gather in Palermo, Italy, to discuss organisational aspects of the EU inter-governmental conference at the end of March in Turin. One of the more sensitive issues is whether to involve the European parliament. Most member states would be happy to invite MEPs as observers. However, the UK, France and Portugal would prefer simply to keep parliamentarians informed and to hear their views. Other issues on the agenda include EU policy on former Yugoslavia, particularly in relation to reconstruction and the return of refugees.

Public holidays

Belize.

SUNDAY 10

Motor racing

Start of the Formula One grand prix season: Melbourne, Australia.

Compiled by Simon Strong. Fax: (+44) (0)171 873 3194.

ECONOMIC DIARY

Other economic news

Wednesday: Although economic data is rather sparse this week, economists will be watching any indicators particularly closely, amid renewed fears that European growth is slowing.

Unemployment figures in Belgium early this week are likely to point to further job cuts in February.

Further job loss figures for February are also expected in Germany.

However, a survey from the Confederation of British Industry will be watched for signs that consumer spending is rising in the UK.

And fourth quarter GDP data in Spain will be examined for growth trends in that area. Spain's economy is thought to have expanded by 0.5 per cent between the third and fourth quarters – a healthier picture than other European countries.

Thursday: Fourth quarter GDP data in Germany is widely expected to show that the economy contracted.

In London, meanwhile, the Bank of England governor meets the Chancellor for their regular monetary discussion amid renewed expectations of a cut in UK interest rates.

Statistics to be released this week

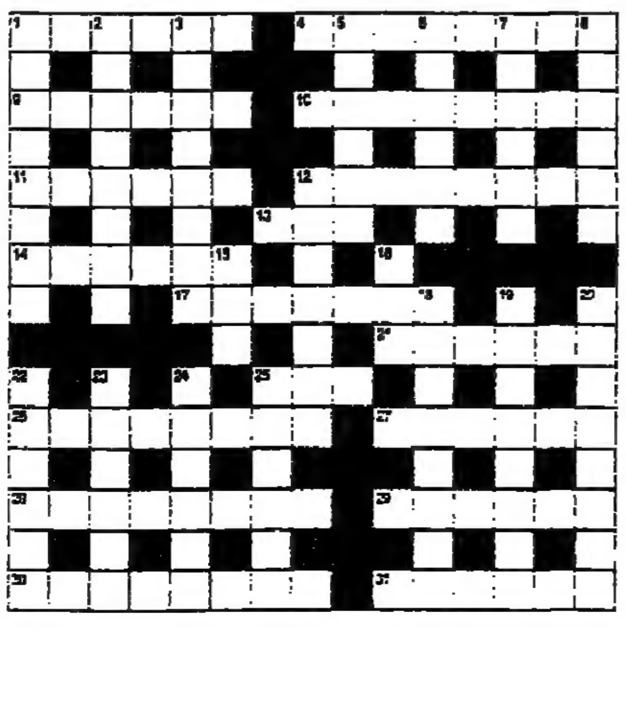
Day Released	Country	Economic Statistic	Median Forecast	Previous Actual
Mon	UK	Feb M0*	0.8%	-0.2%
Mar 4	UK	Feb M0**	5.9%	5.5%
	UK	Official reserves	$37.5m	$-33m
	US	Jan personal income	-	0.4%
	US	Jan pers consumer expend	0.1%	0.7%
	Japan	BoJ corp service prices**	-	-0.3%
	Arg'tina	Jan trade balance	$30m	$117m
Tues	US	Jan leading indicators	-0.6%	0.2%
Mar 5	US	Jan factory orders	-0.3%	1.3%
	US	Jan factory inventories	-	0.1%
	Spain	Feb official reserves	-	$1.2bn
Wed	US	Q4 productivity prelim	-	1.4%
Mar 6	Germany	Feb unemployment, West†	20,000	17,000
	Germany	Nov employment, West†	-12,000	-2,000
	Germany	Feb unemployment, E†	25,000	42,000
	Germany	Feb vacancies, West†	-	12,000
	Spain	Q4 GDP**	2.8%	2.9%
	Italy	Feb CPI**	5%	5.5%
	Sweden	Jan PPI**	3.1%	5.4%
Thur	UK	Jan cyclical indicators	-	N/A
Mar 7	US	Jan consumer credit	$7bn	$7.3bn
	Germany	Q4 GDP West**	0.9%	1.5%
	Germany	Q4 GDP pan-Germany**	0.9%	1.3%
	Denmark	Jan unemployment	9%	9.1%
Fri	US	Jan construction spend	-0.5%	0.9%
Mar 8	US	Feb unemployment	5.7%	5.8%
	US	Feb average workweek	-	33.7
	US	Feb hourly earnings	0.2%	0.5%
	US	Feb m'facturing payrolls	15,000	-72,000
	US	Feb nonfarm payrolls	297,000	-201,000
	Canada	Feb employment*†	0.2%	0.3%
	Canada	Feb unemployment	9.6%	9.6%
	Canada	Feb housing starts	102,000	96,000
	Canada	Dec Labour Income*	0.1%	0%
	N'lands	Jan retail sales	-	-1.1%
	N'lands	Feb CPI*	0.6%	0.4%
	N'lands	Feb CPI**	1.9%	1.9%
	Mexico	Feb CPI*	2.64%	3.59%
	Sweden	Feb unemployment	7.7%	8.2%
	Sw'land	Feb unemployment	4.5%	4.5%
During the week...				
	Germany	Dec trade balance	DM6bn	DM10.6bn
	Germany	Dec current a/c	DM-2bn	DM0.7bn
	Germany	Jan final M3 (Q4 94)	-	2.7%
	Germany	Jan final M3 (Q4 95)	-	N/A
	Germany	Jan Ind Prod, W*	-0.6%	0%
	Germany	Jan m'facturing output*	-1%	0.7%

*month on month, **year on year, †seas/adj. *Statistics, courtesy MMS International.*

MONDAY PRIZE CROSSWORD
No.9,009 Set by CINCINNUS

ACROSS
1 Instigate frolic in gym (6)
4 Injury caused by spring in lock (8)
9 Planet or star unmoving? (6)
10 Put up with champion (5,3)
11 A tantaliser resting (2,4)
12 Do race tips change for the better? (8)
13 Scan scam (3)
14 A river between lakes and bay (6)
17 Erased document about lease (7)
21 Get an old coat, thanks to poet (6)
25 Dancing bug (3)
26 A strict disciplinarian or an artist holds it right back (8)
27 Deal with name (6)
28 Trojan heroine finding salad plant on mountain (8)
29 Illusory sight of silver in mud (6)
30 Slim work translated by textile manufacturer (8)
31 White herons, for example, having a rest break (6)

DOWN
1 Fair father's fur (8)
2 No hunter discovered fugitive (2,3,3)
3 Very cold fairy building at the bottom of the garden? (8)
5 Make a comeback and do the twist again? (6)
6 Scene composed by a Roman dramatist (6)
7 Well acquainted with gold if at exchange (2,4)
8 Setter being cryptic, in a way (6)
12 Animal found in Arctic or Antarctic? (7)
15 General wheels within wheels (3)
16 Prescribed plant (3)
18 Mother, growing old, is hurtful (8)
19 Plant person preceding Plymouth player (8)
20 No employment for one on endless shift .... (6)
22 .... after strike-leader makes fun of shifts (6)
23 Trial for freeloader (6)
24 I must have Gilbert and Sullivan overtures to talk about! That's a puzzle (6)
25 Proposal for nurse (6)



A prize of a Pelikan New Classic 380 fountain pen for the first correct solution opened and five runner-up prizes of £35 Pelikan vouchers will be awarded. Solutions by Thursday March 14, marked Monday Crossword 9,009 on the envelope, to the Financial Times, 1 Southwark Bridge, London SE1 9HL. Solution on Monday March 18. Please allow 28 days for delivery of prizes.

Name..........

Address..........

Winners 8,997

C.J. Ould, Kesgrave, Suffolk
Mrs S.A. Board, Wales, Nr Sheffield
Mrs J. Campbell Jones, Harpenden, Herts
M. Honey, Bristol
J.L.V. Summerhayes, Camberley, Surrey
D. Yeo, Plymouth, Devon

Solution 8,997